

COUNCIL MEETING

JANUARY 25, 2017

The Council Meeting of the Council of the County of Kaua'i was called to order by Council Chair Mel Rapozo at the Council Chambers, 4396 Rice Street, Suite 201, Lihu'e, Kaua'i, on Wednesday, January 25, 2017 at 8:30 a.m., after which the following Members answered the call of the roll:

Honorable Arthur Brun
Honorable Mason K. Chock
Honorable Ross Kagawa
Honorable Arryl Kaneshiro
Honorable Derek S.K. Kawakami (*present at 8:31 a.m.*)
Honorable JoAnn A. Yukimura (*present at 8:36 a.m.*)
Honorable Mel Rapozo

APPROVAL OF AGENDA.

Councilmember Kagawa moved for approval of the agenda as circulated, seconded by Councilmember Kaneshiro, and carried by a vote of 5:0:2 (*Councilmembers Kawakami and Yukimura were excused*).

Council Chair Rapozo: Just for your information, we will be taking up C 2017-40, the Comprehensive Annual Financial Report (CAFR), at 9:00 a.m. because we do have the auditors flying in from O'ahu. Clerk, can you read item D., please?

JADE K. FOUNTAIN-TANIGAWA, County Clerk: Chair, the next item is the Mayoral Veto, Bill No. 2635, Draft 2.

MAYORAL VETO:

Bill No. 2635, Draft 2 – A BILL FOR AN ORDINANCE TO AMEND CHAPTER 19, KAUA'I COUNTY CODE 1987, AS AMENDED, RELATING TO THE WAILUA GOLF COURSE

(*Councilmember Kawakami was noted as present.*)

Council Chair Rapozo: This was laid on the table on January 12, 2017. Today, we will open up the discussion and take the vote to either override or sustain. Councilmember Kagawa.

Councilmember Kagawa: Can you just explain the various three (3) votes to receive, override, or sustain? Just for clarification.

Council Chair Rapozo: Obviously, if the motion is to override and it succeeds with five (5) votes, then the veto is overridden and the law will move forward. If the motion is to sustain the veto, it would require four (4) votes and

obviously the veto would stand and the law would be invalidated. A motion to receive would be the same as the motion to sustain. The override is the only motion that would require five (5) votes. With that, can I get a motion to start this off?

Councilmember Kagawa moved to sustain the Mayoral Veto of Bill No. 2635, Draft 2, pursuant to Section 4.03 of the Charter of the County of Kaua'i, seconded by Councilmember Kaneshiro.

Council Chair Rapozo: Thank you. Councilmember Kagawa.

Councilmember Kagawa: I mentioned it last week and the frustrating part, I think, for myself and Councilmember Chock was that about March, I believe, we were contacted by the restaurant concessionaire, Mr. Aguano, and he told us if that relationships did not improve and the business environment did not improve with the County as the landlord, then he would probably be closing soon. So we started this process with our Legislative Assistant Jenelle. Thanks to Jenelle, who really stayed on top of it and worked with all of the various agencies before we even brought forth a bill that addressed the vendor's concerns. Thanks to Mauna Kea and Lenny; we all put our heads together. Thank you to the Liquor Control Commission and Director Gerald Rapozo. We came up with this bill that reflected what the vendor wanted in order to stay open and fulfill his current contract with the County, but that has not happened. He has closed his doors and it has been closed since before Christmas. I think we are in the process of searching for new vendors. The Mayor did not agree with the vendor's proposal and the Mayor has the prerogative not to do it, even if a bill were to have been passed. It is just prudent that we put this to rest. It is not an avenue that the Mayor wants to work with in keeping a restaurant concessionaire. Hopefully, we will have a new concessionaire soon that can once again make Wailua Golf Course have all of the amenities that is needed for a successful golf course that attracts our tourist industry. Thank you.

Council Chair Rapozo: Thank you. Is there anyone in the audience wishing to testify?

Ms. Fountain-Tanigawa: Chair, we have one (1) registered speaker.

Council Chair Rapozo: Thank you. With that, I will suspend the rules. Who is the registered speaker?

Ms. Fountain-Tanigawa: Anne Punohu.

Council Chair Rapozo: Hang on, Bruce. Anne registered.

There being no objections, the rules were suspended to take public testimony.

ANNE PUNOHU: Good morning, Council. My name is Anne Punohu. I am here to testify to sustain the Mayor's veto. I hope that this is a lesson to everyone that the general public still has a voice. I very rarely these days...well, I do not always agree with the Mayor and his vetoes, but in this case, I do. I think that we should be forward thinking in our concessionaires for the golf course. Many people today are more health orientated. A lot of people do not drink

anymore. There are a lot of people who like those smoothies and health-related things. I think that we can get a concession in there who can offer beverages in the restaurant that have alcohol and non-alcoholic and offer food. Make it something different, unique, new, and "2017." Sometimes, we need to just shake the tree. There are a lot of entrepreneurs out there. Let us give people some opportunities. I think this is a "win" and not a "lose." Although, my intention of going against this bill was certainly not to see that individual business close his doors, because that does bother me. I was hoping that the individual business would come up with a business plan that would be more amenable to more types of people that want to golf the golf course in the future and in the modern era. Again, I would like to sustain the Mayor's veto. *Mahalo.*

Council Chair Rapozo:

Thank you. Bruce, you may come up now.

BRUCE HART: For the record, Bruce Hart. After the last time this came up, I am very hopeful that the Administration and the legislative branch will work together. I am really looking forward to this workshop. I have some ideas of my own, which I think could not only help with the concession, but I think that they can help with the overall management of the golf course and especially some ways to promote it. There are just several ideas I have worked up, even before we came to this agreement between the Administration and legislative branch. I just want to encourage all of you that I believe that this is an opportunity to work together, both branches of government, and to make the golf course a much better place than it was and even significantly reduce the subsidy. I am encouraging you and I am looking forward to it. Thank you.

(Councilmember Yukimura was noted as present.)

Council Chair Rapozo: Thank you. Anyone else? If not, I will call the meeting back to order. Any further discussion? Councilmember Kaneshiro.

There being no further testimony, the meeting was called back to order, and proceeded as follows:

Councilmember Kaneshiro: For me, I will vote to sustain it. I think my main disappointment in just this whole process was not hearing the Administration's opposition to the bill until after the bill was passed. We went through first reading, public hearing, committee meeting, and council meeting, and when asked the question, "Does the Administration support this," we actually got an answer that made us think that they do support it. The answer was, "We will support anything that helps support the concessionaire and make the concessionaire successful." It is kind of hard to read when you think, "Hey, if the Administration is going to support it, the Council is going to vote for it, we will rebid the concessionaires, and it may be a benefit to them," it seemed like a "win-win." But when we pass it, and then we find out that the Administration does not want it, then it kind of cuts the leg off the whole process. For me, I was a little disappointed in that and I just hope that our communication gets better. I know that the Mayor came in and apologized for that. The other thing was that it could have saved a lot of stress. I know that we received all kinds of E-mails and we heard the Mayor's reasons why they did not want it, like the liability reasons, and it did become more of a global type of problem where "alcohol is bad," so we should not

be allowing alcohol on the golf course. We got E-mails that said "we have no common sense" and "think of the people." For me, we do that. We address every issue and we look at everything that goes on in the golf course and we take everything into consideration. My biggest consideration was if so many people have a problem with serving alcohol along the golf course while people are playing then why are they not complaining about the concessionaire serving alcohol in the bar on the course? It is kind of a gray area. Do they not want alcohol at all or are they okay with people serving alcohol in the bar before people go home? It is a little hypocritical to say that we do not want it on the golf course, but it is fine for people drink before they go home in the bar. That is just a consideration and some people may say that we are willing to take that risk and some may say that we are not willing to take that risk. I think for the Council, we saw it as an opportunity. For me, I thought the biggest opportunities were the events on the golf course. I was thinking that without having this bill, we were restricted from doing, say a big event, setting up a tent near the putting green in that open area and maybe somebody doing a wedding on that golf course or a baby party, and then using the concessionaire area for food. One of the things that we also did not hear in the meeting, but I found out after, was that we are able to do it and people are able to get event permits and they are able to serve alcohol for special events on the golf course. For me, I just want to encourage anybody that if you want to do an event at the golf course, please do not feel like you cannot. The golf course is a beautiful place to do an event at night. It would be great for the County because we do not have golfers golfing at night, but yet it is an awesome venue and I would think it is a great opportunity for people. It would help the concessionaire, if we ever get a new concessionaire. It is just a nice place. My biggest problem was that I was thinking of the opportunity of the events and we can still do the events, so I am okay with sustaining it.

Council Chair Rapozo:

Councilmember Brun.

Councilmember Brun: I will be voting to sustain the veto also and the same concerns, as the Administration did not communicate to us on what their concerns were, and then we also have a letter written to *The Garden Island*, which we had to read in *The Garden Island* that the Police was not for it. I just wish the communication was a little better. We have the vendor who wanted this and we go through all of the work and he still pulls out, even though it passes. We need to really look at who we are trying to cater to and what we are trying to do and do better at this going forward with communication. Thank you.

Council Chair Rapozo:
Councilmember Yukimura.

Thank you. Any other discussion?

Councilmember Yukimura: I am going to be voting to sustain the veto, too, because I do not think we actually need this law to have alcohol because it appears that under the existing law that intoxicating liquors can be dispensed in areas licensed for consumption by the Liquor Control Commission. That seems to mean that maybe the concessionaire could in go for a license that covers that. I, too, am concerned. I believe that if there is concern about alcohol being served on the golf course greens, it is already happening, so it would have been better regulated under a liquor concession or license. So the fact that alcohol on the greens is not going to be regulated is a problem that the golf course has to look at. That goes to

the overall management of the golf course, which I believe is the real problem and the real elephant in the room. We are subsidizing the golf course right now to the tune of one million two hundred thousand dollars (\$1,200,000), which should not happen since we have such an amazing asset. I know we will be taking up that discussion on February 15th, so I am hopeful that we will hear some real solutions from the Administration. I must say that some of the arguments against this bill would be arguments to basically prohibit alcohol everywhere. The arguments were about the evils of alcohol and they should then shut down all of the bars everywhere by those arguments. I think they were not really specific to the golf course, but again, I think we can best address that through addressing the main problem, which is overall management of the golf course.

Council Chair Rapozo:

Councilmember Chock.

Councilmember Chock: Thank you, Chair. I will be sustaining the veto as well. Like others, I am a little bit concerned about the conflicting messages from the department and the Administration, as it came through here. More importantly, I feel like the message out of all of this is that we want to see the course be operated more efficiently in a lot of different ways and are looking forward to the opportunity for us to get together and talk about how that can be when we already have an issue with enforcement on the course when we have coconut trees that cannot get trimmed in time and serves as a safety issue. These issues are constantly coming up and I think the overarching question about how do we sustain this course and make it something viable so that we can continue to serve the community with this service, is a question that I would like to encourage the Administration to really take heed to, and come back to us with a plan that we can all be happy with and stand behind. Thank you.

Council Chair Rapozo:

Anyone else? Councilmember Kagawa.

Councilmember Kagawa: Just a final comment that I mentioned about myself and Councilmember Chock working with the previous concessionaire, Mr. Aguano. If you manage properly and address concerns, businesses stay open and they close; it is a process. When complaints come to the Council, that means they have given up their relationships with the Administration in trying to resolve differences and solve problems. This problem came up nine (9) months ago after numerous requests prior to the management, the Administration, and again, no response and it has to come to us. I feel a little offended when we get blamed for trying to resolve a problem that the Mayor has a responsibility with his team to address. When they do not do it, it becomes our job. When the Administration fails to do the job, sometimes we have to pick up the scraps and try and make life better for the people of Kaua'i. That is this Council's job. That is why this bill came here. This bill would not be here if the Administration did their job, worked with the concessionaire, and addressed his problems. If he had to open and close...he is a businessman...but he had valid concerns with the Administration that the Administration failed to resolve, so I just wanted to mention that aspect. Thank you, Chair.

Council Chair Rapozo: Thank you. Anyone else? I am obviously going to be sustaining the veto. I did not support the bill. I guess I just have a philosophical disagreement with some of my colleagues that I just do not think that

alcohol belongs on the golf course, but that is for my own reasons. Having said that, and the fact that the anger had come in testimony against the evils of alcohol, as I think Councilmember Yukimura adequately represented. The difference between the bars and golf course is that the golf course is a public entity. It is not a private bar. For the people that are E-mailing us about no alcohol on the course, but it is okay to have it at the parks, so I think as Councilmember Kaneshiro called it “hypocritical,” and I have to agree with that, that on this crusade against alcohol at the golf courses, be careful what you ask for because that discussion is going to be starting at some point and I see no difference between the golf course and the County parks. In fact, the County parks have children, infants, and toddlers, and the golf course does not. It is awkward when you hear the complaints about how evil we are to even consider that, but if any one of us comes up with a bill that would prohibit alcohol at the County parks and beaches like Honolulu, Maui, and Hawai'i island, I can guarantee that there will probably be seven (7) openings next Council election. Utilize the arguments and I appreciate the comments, but some of them are downright personal and hurtful and they serve no valid purpose. It is a philosophical deal. Either you support it or you do not. Councilmember Kagawa said it best—I think the last two (2) vendors that I was very close with...I still am...I do not know about the last one, but they had landlord issues with the County. We had infrastructure issues with the County, we had plumbing issues with the County, we had all kinds of issues and we are not addressing that. I hope that the last vendor, or I am sure he is still on contract or on lease, is not going to say that he had to shut the doors because he could not serve alcohol on the golf course, because I think it is a very weak argument. Eight hundred dollars (\$800) or nine hundred dollars (\$900) a month rent for the best municipal golf course in the State, probably one of the top five (5) or top eight (8) golf courses in all of the State, private or public with a great location and great parking. You cannot tell me that the fact that you cannot serve alcohol on the course is the reason why you had to shut your doors. I am sorry. I am a businessman as well, and that just does not seem right. There were people paying a lot more monthly rent or lease and was able to make it happen. The fact that that place no longer has parties, no longer has weddings—if you are going to open up that place, you have to utilize every single inch of that lease space and make it work. That was not done. I think the concessionaire basically just was not interested in doing it and that was his choice. That is a great place. The County has to go and make it attractive. They have to go in there and make it nice and clean and make sure that all of the problems are fixed. That is a great opportunity for a restaurateur on this island, huge. The fact that you cannot sell alcohol on the course itself does not stop the vendor from selling everything else on the course, like food, sandwiches, water, drinks, snacks, Snickers candy bars, and all of those things. I think it is a great opportunity. I wish I had some knowledge of restaurant ownerships because I think I would bid for that place. I just do not know enough of that. Councilmember Yukimura cited the language about the alcohol or intoxicating liquors, but I believe there is a specific prohibition against the golf course, unlike anyplace else. Anyplace else, you can get a liquor license and the Liquor Control Department will determine whether or not you get the license, but I believe the golf course has a specific prohibition. Even as it currently stands, even if you wanted to, I do not believe the Liquor Control Commission could, but I could be wrong. We can explore that. Anyway, my final comment is a message goes out to all of the restaurateurs, all of the nice “mom and pop” restaurants—that is a really, really good opportunity. Just in closing, on February 15th, we will have the discussion on the management of the golf course

here in the committee and I encourage all of you with ideas to please come up. Councilmember Yukimura is exactly right—it is the management of the course that is the issue, not the fact that you cannot sell alcohol on the green. My time is up. Anyone else? Councilmember Yukimura.

Councilmember Yukimura: I just want to say that I think it could be a great opportunity for the concessionaire, but it really depends on the overall management of the golf course. You have to make it a happening place, it has to be run with a lot of marketing and entrepreneurship. Without that happening, I think it is difficult for the concessionaire. So I am glad we are going to be addressing it on the 15th. Chair, I want to thank you for selecting that date, because I will not be here on February 1st.

Council Chair Rapozo: I would never think of having that discussion without you here, Councilmember Yukimura.

Councilmember Yukimura: Thank you so much.

Council Chair Rapozo: It is a new year. Any further discussion? The motion is to sustain the veto. Roll call.

The motion to sustain the Mayoral Veto of Bill No. 2635, Draft 2, pursuant to Section 4.03 of the Charter of the County of Kaua'i was then put, and carried by the following vote:

FOR MOTION:	Brun, Chock, Kagawa, Kaneshiro, Kawakami, Yukimura, Rapozo	TOTAL – 7,
AGAINST MOTION:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Ms. Fountain-Tanigawa: Seven (7) ayes.

Council Chair Rapozo: With that, we have the Consent Calendar and we do have a request from someone in the public to speak on C 2017-37, so I am going to ask for a motion to receive C 2017-36, C 2017-38, and C 2017-39 for the record.

CONSENT CALENDAR:

C 2017-36 Communication (12/13/2016) from the Mayor, transmitting for Council consideration and confirmation, Mayoral appointee Russell M. Wong to the Board of Review – Term ending 12/31/2019.

C 2017-38 Communication (01/05/2017) from the Director of Finance, transmitting for Council information, the Condition of the County Treasury Statement quarterly report as of November 18, 2016.

C 2017-39 Communication (01/06/2017) from Councilmember Brun, providing written disclosure of a possible conflict of interest and recusal regarding ES-888 relating to Syngenta Seeds, Inc., et al. vs. County of Kaua'i, which is related

to the lawsuits underlying Bill No. 2643, Repealing Article 23 of Chapter 22, Relating to Pesticides and Genetically Modified Organisms, as he is employed by Syngenta Seeds on Kaua'i.

Councilmember Kagawa moved to receive C 2017-36, C 2017-38, and C 2017-39 for the record, seconded by Councilmember Yukimura.

There being no objections, the rules were suspended to take public testimony.

There being no one present to provide testimony, the meeting was called back to order, and proceeded as follows:

The motion to receive C 2017-36, C 2017-38, and C 2017-39 for the record was then put, and unanimously carried.

Council Chair Rapozo: Thank you. Can we have C 2017-37, please?

There being no objections, C 2017-37 was taken off the Consent Calendar.

C 2017-37 Communication (01/04/2017) from the Acting County Engineer and the Director of Finance, transmitting for Council consideration, a Resolution Authorizing The Mayor Or The Director Of Finance Of The County Of Kaua'i To Enter Into An Intergovernmental Agreement With The State Of Hawai'i, Department Of Health For A Loan From The State Water Pollution Control Revolving Fund For The Best Management Practice (BMP) Improvements At Various Refuse Stations, Project No. NPS0059-25: Councilmember Yukimura moved to receive C 2017-37 for the record, seconded by Councilmember Kaneshiro.

Council Chair Rapozo: I will suspend the rules. Mr. Taylor.

There being no objections, the rules were suspended to take public testimony.

KEN TAYLOR: Chair and Members of the Council, my name is Ken Taylor. I have a problem with the way this Resolution is written. It stems from actually what has gone on in closed session, which we do not know. Again, later in your agenda today, ES-883 talks about this item: "National Pollution Discharge Elimination System Permit relating to violations and penalties." My question is how much of this potential seven million dollars (\$7,000,000) is going to penalties and violations of this activity? I said some months ago, weeks ago, when this issue first appeared on the agenda that I thought you were out of line in going into closed session to discuss this item. I strongly believe that the public has every right to know and understand the quality of the Mayor and his team's work and activities, and when there is something that creates a penalty from the State or Federal government, I believe that the public has every right to know and understand what is going on completely and what is costing the taxpayers in knowing. I think it is really important that you bring to the floor before you approve this, how much of this is for penalties and violations versus actual work of construction on this item? Thank you.

Council Chair Rapozo: Anyone else wishing to testify?

Ms. Punohu: *Aloha.* Anne Punohu, for the record. I would like to echo Ken Taylor's testimony, which is pretty unusual for me. In this case, he is right. The general public has every right to know what the violations were for and they deserve a full report. They deserve to know what incidences occurred and what the penalties were for those incidences, because it is a matter of public health and safety. If the public does not know what is going on and what violations occurred, then they are being kept in the dark as to their own public health and safety. Therefore, in this situation, I would highly recommend that the Administration and/or the Council and/or both release information. I am not asking to release information that has anything to do with violating any employees' rights to privacy. What I do believe that we need is an overall report stating incidences without using names, employees, or anything like that, but we absolutely deserve to know because I also think it is a legal issue. I think that if it comes out of what did happen or what did occur to put the public safety and health in jeopardy that both the Administration and the County could face possible lawsuits in the future. I think to be on the safe side, a full disclosure as much as possible without violating anybody's rights should occur very soon. *Mahalo.*

Council Chair Rapozo: Anyone else?

ALICE PARKER: Alice Parker, for the record. I think we need to know what specific measures are going to be implemented so that these malfunctions, or whatever they are, do not occur again. We need specific measures and how they are to be implemented. Thank you.

Council Chair Rapozo: Thank you. Any other public testimony? If not, I will call the meeting back to order.

There being no further public testimony, the meeting was called back to order, and proceeded as follows:

Council Chair Rapozo: Let me start by saying that I do not know how many of you watch regular television series, like WWE wrestling or something like that, which is one of my favorites. If you miss some episodes, you miss a big chunk of stuff and when you pick up on the episode and you have all of these questions about why, why, and why, and then you realize that if you have Hulu, you can go back and watch the old episodes and you get your questions answered because it was answered in a prior episode. I will tell you that on June 29th, we had the full discussion and presentation on the floor. We had the pictures on the floor and we had the criticism from the Council on the floor. We had the Best Management Practices (BMP), the suggestions and representations of the consultant, and the recommendations of the consultant—all of that was in the public. Anne, I know you do not come often, but, Ken, you do. It is frustrating for me to sit here as the Chair and say, "Oh my God, we are just getting hammered because we are going backdoor making decisions when it was all done here." The fact that we are going into Executive Session is because it involves personnel matters, exactly what Anne said. When it involves an employee's rights to privacy and employment rights, we cannot do that out here. We do it back there. Please, if you are going to come up and criticize us, get your facts together because this was all done on June 29th. Feel free to get the minutes or watch Hō'ike because it is there. There were graphic pictures. The Administration sustained a barrage of

criticism from this body and the Council is still discussing what options we have moving forward. That is why it is in Executive Session. But June 29th, go on Webcast Meetings and look up the meeting and you will see exactly what happened and exactly what the Administration is going to do. In answer to the question about penalties or construction...the Resolution is very clear...it says to "finance the design and construction," not penalties. That has been paid. This is to pay the design and the construction of the recommendations that the State Department of Health has made to the County to come into compliance. If you do not want to do the loan, we can take it out of real property taxes and pay top dollar for that, or we can go through this wonderful program that is offered to us with very low interest that we can pay over time. You tell us what you want. I apologize for being on edge, but I get frustrated when I hear those kinds of things. It was all here in the open. I do not know how the Administration stood up that barrage, but they did it quite well and they got the message to, in fact, go out and seek ways where we can make this work, and that was going through the Revolving Fund process. I commend them for that and I would hope that this Council would support this. It takes the burden off of the taxpayers and spreads out the cost. Seven million dollars (\$7,000,000)—we do not have that right now and we can use the Revolving Fund money to pay for that so we can get these facilities up to par and put our employees in an environment that is safe and healthy for them to work in. Any other discussion? I know this item is on the Consent Calendar, but I just had to make that clarification because it is not fair. Councilmember Yukimura.

Councilmember Yukimura: So the penalties are one hundred thirty-eight thousand six hundred dollars (\$138,600), and the Chair is right that this seven million dollars (\$7,000,000) is a loan to do the repairs and adjustments needed to all the transfer stations to bring them into compliance, which means that they will be protecting the public's health by preventing polluted run-off into streams. This is an important and very necessary project and the State, besides applying penalties, is trying to facilitate the corrective action, which is in everybody's interest. Thank you.

Council Chair Rapozo:

Councilmember Chock.

Councilmember Chock: Thank you, Chair. I agree that we certainly have had a lot of discussion and June 29th laid out what is going on and how we are going to address it. My only suggestion would be, based on what I hear from the testimony—and I appreciate the testimony as well—is I think that the community is also looking for a bit of communication and transparency on how we are moving forward. We do a lot of public relations (PR) stuff and we write up things in the paper. I think what I am hearing is that, and this is a message to the Administration, perhaps there is a need for us to be a little bit more open about the steps that we are planning to take in order to address this as it relates to this path, where people do not watch the meetings and see the proceedings moving forward. That is my only request. Thank you.

Council Chair Rapozo:
receive.

Thank you. Anyone else? The motion is to

The motion to receive C 2017-37 for the record was then put, and unanimously carried.

Council Chair Rapozo:

Can I have the next item, please?

COMMUNICATIONS:

C 2017-40 Communication (12/29/2016) from Council Chair Rapozo, requesting the presence of the Director of Finance and representatives from N&K CPAs, Inc., to discuss the Comprehensive Annual Financial Report (CAFR), Single Audit Reports, and Management Advisory Report for the Fiscal Year Ended June 30, 2016: Councilmember Kagawa moved to receive C 2017-40 for the record, seconded by Councilmember Kaneshiro.

Council Chair Rapozo:

Thank you and welcome back.

There being no objections, the rules were suspended.

BLAKE ISOBE, N&K CPAS, Inc.: Good morning, Council Chair and Councilmembers. Thank you for giving us the opportunity to present the results of the Fiscal Year 2016...

Council Chair Rapozo:

Sorry, I have to stop you real fast. Can you state your names for the record?

Mr. Isobe:

I am Blake Isobe. I am the Principal of N&K CPAs, Inc., that handles the audit for the County. This is John Bautista. He is our Senior Manager in charge of the audit.

Council Chair Rapozo:

Okay. I know you have a presentation.

Mr. Isobe:

Correct.

Council Chair Rapozo:

Members, if we can just let them complete the presentation, and then we will have the questions immediately following the PowerPoint.

Mr. Isobe:

As part of the audit, we issued three (3) separate reports. The first one is the large report, which is the Comprehensive Annual Financial Report (CAFR), which is prepared by the Department of Finance and audited by us. The second report is the Single Audit Report or the report on federal funds, which is required by any entity that does receive federal awards and expends over seven hundred fifty thousand dollars (\$750,000). The last report is a result of the audit is this Management Advisory Report. It is not a required report that is required from the audit, but it is a byproduct of some comments that come up throughout the audit that we just want to make people aware of or make you folks aware of that we feel should be addressed.

We will start with the Comprehensive Annual Financial Report, which is the larger report. First thing in the report on page 10 is the Certificate of Achievement for Excellence in Financial Reporting. This is the 23rd year in a row that the County has received this award. This is actually related to the 2015 report. In order to receive this award, the report is reviewed by an outside party that determines that

the CAFR is prepared in accordance with standards, and also that it is submitted by the due date, which is six (6) months after your fiscal year end, which is December 31st.

The next section is the Introductory Section, which contains the transmittal and the MD&A, which is prepared by management. Our report is on pages 13 to 15, and pages 13 to 15 are actually the only part of this report that is technically "ours." On page 14 is our opinion on the financial statements, which we issue an "unmodified opinion," which is a "clean opinion" meaning that the financial statements have been prepared in accordance with generally accepted accounting standards. Moving on to the actual financial statements—the rest of the report is the different parts of the financial report. Starting on page 28 is your Government Wide Financial Statements and on page 30 is your Fund Financial Statements. Starting on page 46 is your Notes to the Financial Statements, which provide a lot more information about a bunch of the numbers that appear in the financial statements and kind of give you more background on more details, followed by Other Supplemental Information that starts on page 102 and then the Statistical Section that is on 135.

We will start with page 28. This is your Statement of Net Position or kind of like a balance sheet of the County. We will just highlight some of the more notable fluctuations that appear here and kind of discuss them when we hit some of the notes. I guess one of the largest assets that you do have are your capital assets or your fixed assets. That is actually almost exactly the same as last year; there was really no change. A large increase appears in that deferred outflows related to pensions. There is about an eight million dollar (\$8,000,000) increase there. This is related to that new Government Accounting Standards Board (GASB) that we talked about last year, GASB 68 that required the County to record the net pension liability that you folks have been hearing a lot about from the Employees' Retirement System (ERS) from the State. That deferred outflow is directly related to the pensions. Overall, your assets and deferred outflows did increase about eight million dollars (\$8,000,000). Going down in your liabilities section, the largest increase actually occurred in that net pension liability. It increased about twenty-five million dollars (\$25,000,000), which accounts for almost all of your increases in your liabilities. The overall increase in your liabilities was about twenty-four million dollars (\$24,000,000) from the prior year, so a lot of that is in that net pension liability. Another large increase is in your deferred inflow related to pensions. That increased about twelve million five hundred thousand dollars (\$12,500,000). Last, but not least, on your net position—your overall total net position decreased about three million three hundred thousand (\$3,300,000). Your unrestricted net position actually improved. There is that large deficit of about one hundred twenty-six million dollars (\$126,000,000) and that is primarily related to last year when we did record that net pension liability. It does eat into your unrestricted net position. So that improved to a deficit of one hundred twenty-six million dollars (\$126,000,000) from about one hundred thirty million seven hundred thousand dollars (\$130,700,000) so it moved a little bit more towards the positive side.

Moving on to the next page, which is page 29, is your Statement of Activities. On your Statement of Activities, this is like an income statement that breaks down your expenses, your revenues, and your sources of revenues. One of the larger

increases is in your real property taxes. There was about a seven million five hundred thousand dollar (\$7,500,000) increase in real property tax revenues. That is primarily due to the increase in real property tax values, which kind of drives your real property taxes. We also noted that there was the creation of two (2) new real property tax classes. That increase in revenues on your real property taxes are kind of offset by additional expenses. There were two (2) large areas where the County increased their expenses—sorry, let me backtrack there. There were decreases in other revenue sections...I am sorry...so in operating grants and contributions there was a decrease of about four million dollars (\$4,000,000) and your capital grants and contributions had a decrease of about five million eight hundred thousand dollars (\$5,800,000). One of the large decreases was a grant that you had in your Housing Agency that you received last year that was recorded last year of about four million five hundred sixty thousand dollars (\$4,560,000). That is not reflected in your capital grants this year.

So I have a little chart of your past five (5) years, trends of your major sources of revenues. Your real property taxes have that steady increase. Your Transient Accommodations Tax (TAT), which has been capped by the State, had that slight increase last year and it is again capped. Your total revenues are showing us a steady increase, too. On the expense side of your income statement or your statement of activities, you will see about a seven million nine hundred thousand dollar (\$7,900,000) increase in total expenses. One of the large expenses is in your sanitation line item. There was an increase in your closure and post-closure costs related to the landfills. Part of accruing those costs includes picking up additional expenses that relate to that cost and I guess the percent used...how much of that landfill is used...there is additional information in the note in the back and we can get to that when we get to the notes. Another large increase is in your public safety line item. The majority of this large increase is actually related to your pension expense, so the Police and Fire actually have a separate class in the ERS and a large increase there of about two million eight hundred thousand dollars (\$2,800,000) relate to the pension expense that is recorded related to their share of the pension costs.

We will move on to page 31, which is your balance sheet of your governmental funds. On page 31, your balance sheet, which is of your governmental funds, is similar to what we were looking at on the previous two (2) pages on the balance sheet on the Statement of Net Position. However, this is just your governmental funds, your businesslike activities where your golf and sewer are presented on a separate statement. A lot of the discussion here is similar to what we discussed on the other two (2) statements. You will note that there were some major Fund Balance fluctuations. Your General Fund fund balance did increase of about eight million six hundred thousand dollars (\$8,600,000). Majority of this increase is due to the increase in your real property tax revenue offset by the increase in your public safety expenditures. There were some transfers out to the Solid Waste and Sewer Funds that increased about two million dollars (\$2,000,000) and that resulted in a change in Fund Balance of about one million four hundred thousand dollars (\$1,400,000) difference from the prior year. Some of the other major funds that did have some fluctuations—your Bond Fund fund balance did decrease of about eleven million three hundred thousand dollars (\$11,300,000). That is primarily due to an increase in capital outlays and there was a transfer out of about six hundred thousand dollars (\$600,000). It is kind of common to see the

decrease in your Fund Balance in your Bond Fund as you expend moneys on the projects funded by the Bond Fund. Another major fund balance fluctuation was on your General Capital Improvements Fund with an increase of about five million two hundred thousand dollars (\$5,200,000). That is primarily due to the transfer in from the Solid Waste Fund of about five million three hundred thousand dollars (\$5,300,000). Similar here, you are transferring the moneys for the projects that are going to be funded by this fund.

We will move on to it the notes to the financial statements. One of the significant notes in the financial statements is related to pensions. That begins on page 80 to page 88. On page 84, the middle of the page, the note discloses the net pension liability that the County is reporting and that liability is about one hundred seventy-eight million five hundred thousand dollars (\$178,500,000). As I noted on the statement of net position, that is an increase of about twenty-five million one hundred thousand dollars (\$25,100,000) from the prior fiscal year. This measurement that we are talking about, which is allowed by government accounting standards, is that we have a one-year lag. So the reporting of this net pension liability is actually related to the ERS' 2015 net pension liability for the State and your allocated share. It also discloses here that the County overall takes about two point zero four four percent (2.044%) of that State's net pension liability. The County's contributions against this net pension liability over the past two (2) years have been about fourteen million four hundred thousand dollars (\$14,400,000) and fourteen million six hundred thousand dollars (\$14,600,000) respectively. That is the amount that you folks are paying as your contributions for the pension.

The other large expenditure that the County is incurring is the Employer-Union Health Benefits Trust Fund (EUTF), which is your EUTF. That note begins on page 89. As you move on to page 91 of that note, you will see the cost that the County is incurring. For 2016, that cost was about fifteen million four hundred thousand dollars (\$15,400,000) to fifteen million five hundred thousand dollars (\$15,500,000). Further down the page, there is a little table that shows the July 1, 2015 valuation date of your EUTF liability. It is shown there that the liability for the County is two hundred twenty-one million three hundred thousand dollars (\$221,300,000).

Councilmember Yukimura: What page are you on?

Mr. Isobe: Sorry, on page 91.

Councilmember Yukimura: Thank you.

Mr. Isobe: So a two hundred twenty-one million three hundred thousand dollars (\$221,300,000) liability. You do have plan assets or assets that can offset that liability of about seventy million eight hundred thousand dollars (\$70,800,000) to seventy million nine hundred thousand dollars (\$70,900,000). So that unfunded portion is about one hundred fifty million four hundred thousand dollars (150,400,000).

Council Chair Rapozo: Sorry, but you keep referencing the County and the department, but which department is that?

Mr. Isobe: The Department of Water.

Council Chair Rapozo: Okay.

Mr. Isobe: Sorry. The County's CAFR actually presents the County and then the Department of Water because they do their own separate financials and they are semiautonomous or autonomous and they prepare their own financials. They are presented separate from you guys. So the unfunded liability related to the EUTF is shown here as one hundred fifty million four hundred thousand dollars (\$150,400,000). There is a new standard by GASB that is going to soon require the County to reflect this in your Statement of Net Position, which would again drive down or increase the deficit in your unrestricted net position. That is coming soon. I also want to mention that the County has been funding their annual required contribution one hundred percent (100%), which is good. Everything that is required to be contributed is being done. So that fifteen million four hundred sixty-eight thousand dollars (\$15,468,000) that is required to be contributed to the EUTF has been done, so that is good.

Something new in the CAFR this year is that the Department of Finance did implement GASB 72 related to Fair Value Measurements of its investments. That appears on pages 62 to 63. The fair value of the investments use Level 1, Level 2, and Level 3 classifications based on how easily determinable the fair value is done. Level 1 is where it is actively traded on publicly-traded or stock exchanges and you can see those kinds of items similar with bonds and United States Treasuries. Level 2 is a classification issue, where for Level 1 it really needs to be actively traded. Some items are not actively traded and therefore fall into Level 2. There are some United States Treasuries and bonds and things that do not quite always trade in an active manner, and therefore, they are classified in Level 2. For this GASB 72, for governmental accounting standards, it is kind of trying to get in line with the private sector, where they have been reporting this ever since the financial crisis...they have gotten this in line.

The next one that the County actually early implemented...this would actually have been required to be implemented in this upcoming fiscal year 2017, but the County decided to early implement it. This is related to pensions and this is GASB 82. GASB 82 actually required the County to then do a restatement to the financial statements. The pensions GASB actually was very highly complex as to the reporting requirements and GASB actually came out with clarifications on different interpretations of the implementation of that standard. In the prior year, the requirement was actually to record these employer-paid employee contributions as a deferred outflow related to pensions. The GASB came back subsequent to the department issuing the financial statements that technically should actually just be left as an expense in the year that the County pays those employer-paid employee contributions. So the restatement is shown on page 101 in note 20. So that change actually represents a prior period adjustment to the net position, as previously stated. It shows the governmental activities, about four million three hundred thousand dollars (\$4,300,000), and on business type, one hundred forty-two thousand dollars (\$142,000). If the County did not early implement it, this would actually be reflected in this fiscal year 2017 as a prior period adjustment, so they diligently implemented early.

I know I am hopping around, but as we discussed early, another significant note in here is your landfill liability, which the note appears on page 95. As you are aware, you do have the Kekaha Landfill. The estimated closure cost there is about nineteen million five hundred thousand dollars (\$19,500,000), which is down slightly from the last year, which was twenty million dollars (\$20,000,000). The expected life is about four point one (4.1) years versus about four point five (4.5) in the prior year. The total expected closure and post-closure, so the post-closures related to some of the landfills that are already closed, is about thirty-eight million three hundred thousand dollars (\$38,300,000). This is an increase on the prior year of about four million dollars (\$4,000,000). Last year, it was about thirty-four million three hundred thousand dollars (\$34,300,000).

Those were the major highlights within the County's Comprehensive Annual Financial Report that we just wanted to point out to you. There is a lot more information. A lot of time and effort by the Department of Finance have gone into preparing the County's CAFR. If not, I wanted to move on to the next report.

Councilmember Yukimura: I have some questions.

Council Chair Rapozo: Okay. So you are done with the CAFR?

Mr. Isobe: Correct.

Council Chair Rapozo: Let us take care of that, and then we can move on to the Single Audit Report. I do have some questions as well. Any questions? Councilmember Yukimura.

Councilmember Yukimura: Thank you for your work. I really want to also acknowledge the Department of Finance. Starting with your last slide, what is the ninety-five percent (95%), eighty-three percent (83%), and eighty-four percent (84%)?

Mr. Isobe: Okay. That is the estimated remaining life of the Kekaha Landfill. I know in 2013 it looked like it was high; that was ninety-five percent (95%) full. That was because I believe the lateral expansion was not complete. Therefore, they could not use that extra capacity as saying it was not used. So after it opened in 2014, that percentage then went to eighty-three percent (83%) and right now we are sitting at eighty-five point six percent (85.6%). That is based on, I guess, average daily tonnage that goes in.

Councilmember Yukimura: Right.

Mr. Isobe: That average is then looked at as it relates to how much longer it would take to fill that.

Councilmember Yukimura: That is why if we created the Materials Recovery Facility (MRF) we could do more recycling, divert it, and we could increase the life, the length of the landfill.

Mr. Isobe: Correct. When you are looking at last year, the estimated remaining life was four point five (4.5) years and if we did take

one (1) year off, it would be three point five (3.5). But at this point, it is still four point one (4.1), so it is not filling as fast...I guess it is slowing as fills.

Councilmember Yukimura: As we increase diversion, that would slow down the landfill, the shortening of life. Okay. Thank you.

Council Chair Rapozo: I have a question on the same slide. The landfill liability goes up every year, right? Why is that? Does that have anything to do with the life left or is it just the post-closure contract requirement?

Mr. Isobe: So what has been going up is the actual estimated costs to close and care for the landfill, the post-closure costs as it relates to the thirty-year compliance with the laws. I think there have been additions to the gas collection requirement that was a few million dollars that got added a couple of years back. I think that was one of the larger jumps in the total cost to close the landfill. Any costs related to the closure and post-closure is accrued over the life of the landfill, so when you actually close it, you are one hundred percent (100%) accrued for all of those costs, even though they are going to occur in the future...because you are using the landfill, it is actually being accrued.

Council Chair Rapozo: So we can expect that number to go up every year by a few million dollars? It makes sense, using that analogy.

Mr. Isobe: Correct.

Council Chair Rapozo: I guess the longer we keep it open, the more it costs to close.

Mr. Isobe: Correct.

Councilmember Yukimura: Yes, because the more we are putting in.

Council Chair Rapozo: Any other questions? Let us just try to clear it all up by issue. We are on the presentation page 7, the top slide. Are there any more questions as it relates to the landfill liability? If not, any other questions on the...

Councilmember Yukimura: I do.

Council Chair Rapozo: Go ahead, Councilmember Yukimura. Can you give us the page?

Councilmember Yukimura: Page 6, bottom slide. I am sorry, but I did not understand your implementation of GASB 72 about Fair Value Measurements.

Council Chair Rapozo: Blake, can you give us the page number also?

Mr. Isobe: Yes. That is page 62 to 63 of the CAFR. So on page 62 at the top, it discloses the different levels. Level 1, the inputs used to come up with the fair value, so let us...

Councilmember Yukimura: Fair value of what?

Mr. Isobe: Fair value of investments.

Councilmember Yukimura: Okay.

Mr. Isobe: On the bottom, it breaks down your types of investments like United States Treasuries, United States government agencies, repurchase agreements, your Certificate of Deposits (CDs), and your Money Market Mutual Funds. A lot of these items have quoted market price. Based on those inputs that you use, whether it is the stock market or bond market, you use those quoted market prices to come up with this Level 1 or Level 2. The disclosure here between the three (3) levels...it decreases in how you can see it on the market. Level 2 is where you use similar assets that trade on the market, but not that exact investment. Primarily, that is when it is not actively traded. Let us say a United States Treasury note—it may not be traded every day. Therefore, you might use a similar asset to come up with what that fair value is. The County does not have any Level 3's, and I am going to be going back a few years when the State was involved in those investments that they got stuck...

Councilmember Yukimura: Those risky investments, right?

Mr. Isobe: Correct. So on the financial reporting side, people wanted to know, "Okay, so how are you coming up with these values?" Level 3 is saying where inputs are really not there. You have the somehow do a valuation or do something else to come up with those.

Councilmember Yukimura: Are the levels geared towards risk or just different ways of valuing?

Mr. Isobe: Correct, it is more of how it is being valued.

Councilmember Yukimura: Okay. Were the Level 3's the cause of problems in our pension fund investments?

Mr. Isobe: So your pension fund investments are not here.

Councilmember Yukimura: They are done by the State.

Mr. Isobe: Correct.

Councilmember Yukimura: Okay. I was just wondering if the State was having...we are all concerned about the pension fund because we are all tied to it, although it is such a small amount. Still, if the pension fund goes bust or has problems, we are going to go with it, even though we are paying in full.

Mr. Isobe: Yes, so their financial statements, in compliance with this GASB 72, will require that type of disclosure.

Councilmember Yukimura: At the State level?

Mr. Isobe: Actually, ERS' level. They will issue a financial statement with that type of detail leveling for their investments.

Councilmember Yukimura: Okay. Thank you very much.

Council Chair Rapozo: Any other questions? I have one from page 4 on the top slide, which are the expenses, governmental activities...you are showing the increase in landfill liability. Last year, it was one million eight hundred thousand dollars (\$1,800,000) and now it is three million nine hundred thousand dollars (\$3,900,000), and you may have explained it when you went through the slide, but can you go over that one more time?

Mr. Isobe: Okay. Let me get to that page.

Council Chair Rapozo: The public safety one, we know is from the salary increases, but the landfill liability...is it the post-closure? Is that what you are referencing on this one?

Mr. Isobe: This is actually the change in that actual liability, including amounts paid. Let me get to that page. I am sorry.

Council Chair Rapozo: It kind of ties in to the next slide where you are showing an increase in transfers out.

Councilmember Yukimura: What page is that on?

Mr. Isobe: You can actually see this on page 70 on the bottom.

Council Chair Rapozo: 70?

Mr. Isobe: Yes. Here on page 70, you will see your landfall closure and post-closure liability, which is a portion of your long-term liabilities. The increase in expenses, actually when you are looking at it going from thirty-four (34) to thirty-eight (38), the additions of four point three (4.3) offset by the reductions, which are like payments made on some of the closure costs or post-closure care that the County is actually expending. So that is actually paying down some of the liability, so that net additions less reductions is the majority of the increase in your sanitation expense.

Council Chair Rapozo: Okay. For the transfers out on the lower slide, are you familiar with the transfers? It says to "fund Solid Waste and Sewer Funds." I am not sure what page that is on.

Mr. Isobe: Your transfers actually show up on page 33 on the bottom. Your other financing sources and uses show your transfers in and your transfers out. On your General Fund, you transferred out about twenty million four hundred thousand dollars (\$20,400,000), which about nine million three hundred thousand dollars (\$9,300,000) went to your Solid Waste Disposal Fund and

ten million two hundred thousand dollars (\$10,200,000) or so went to your Other Governmental Funds.

Council Chair Rapozo: I guess I am just trying to figure out which sheet would show me where those transfers went. Where does that show up? The nine million dollars (\$9,000,000) that went to the landfill or Solid Waste? Page 33 just shows the total, right?

Mr. Isobe: Page 68...wait, this is actually just your...so page 68...

Council Chair Rapozo: If I look at page 33, Solid Waste Disposal Fund, you had transfers out of six million dollars (\$6,000,000). Is there anywhere I could go or do we go to the department for that?

Mr. Isobe: Page 68. On the top of the page, it has your transfers for the fiscal year.

Council Chair Rapozo: Okay.

Mr. Isobe: Your General Fund had transfers out of that twenty million three hundred ninety-nine thousand dollars (\$20,399,000), where it went nine million three hundred thousand dollars (\$9,300,000) to disposal...seven million four hundred thousand dollars (\$7,400,000) to your Debt Service. So this shows your breakdown of...

Council Chair Rapozo: That is what I was looking for.

Mr. Isobe: Okay.

Council Chair Rapozo: Thank you very much. Any other questions on any of the slides on page 4? Are there any other questions on any other slide? Councilmember Yukimura.

Councilmember Yukimura: I do not remember which slide it is, but it is basically about the increase in real property taxes, seven million three hundred thousand dollars (\$7,300,000) or something.

Mr. Isobe: Okay.

Councilmember Yukimura: You said it was due to increase in valuations, but was it not due also to the new real property tax classifications that we created?

Mr. Isobe: I just have to caveat this...this is actually going to come from your statistical tables. We do not audit these statistical tables, but the County does disclose on page 147. Here shows your different classifications by your last ten (10) fiscal years, including fiscal year 2016: the different classes, the net valuation for the tax rate, and then the tax rates by the different classifications. This is expressed in thousands, so you are looking at from 2015, sixteen billion one hundred million dollars (\$16,100,000,000) versus almost four

billion dollars (\$4,000,000,000). There is about a seven percent (7%) increase there in the property net valuations used for your taxes.

Councilmember Yukimura: Because we added the Residential Investor, you will see that between 2015 and 2016, we included the Residential Investor class. People say, "Oh, we have an increase in real property taxes," and homeowners will think it came from them when actually we created that investor class for residential property owners who are not owner-occupants, so they do not live as primary residents on this island and it is not used for long-term rentals. So it is really purely investment class. What I want people to know is that we are not getting it from the local population; we are getting it from another class, which I think is a good way to help close the gap between the rich and the poor. Then to the extent that it is also an increase from improvements and new growth or new development, it is not coming also from the homeowner class, right?

Mr. Isobe: Correct...just from the statistical table if you are looking at just your residential, the valuation there is five billion six hundred million dollars (\$5,600,000,000) last year, and this year it is about four billion three hundred million dollars (\$4,300,000,000). Some of that appears to be the reclassification of the Residential Investor balance.

Councilmember Yukimura: Yes. Okay. It gives us a clue in terms of the importance of the classifications of real property and how we set the rates and so forth to bring some equity to the whole situation, while still keeping our revenue stream strong.

Council Chair Rapozo: Page 147 is just a valuation. It is not the revenue?

Mr. Isobe: Correct, that is just the...

Council Chair Rapozo: Do you have a revenue...I guess we could figure it out.

Councilmember Yukimura: That is a good point.

Council Chair Rapozo: It is just what these things are being assessed at and that is not revenues.

Mr. Isobe: Correct. That is not the revenues; that is just the...

Council Chair Rapozo: Do you have a breakdown of the revenues?

Mr. Isobe: In the report?

Council Chair Rapozo: Yes.

Mr. Isobe: No.

Council Chair Rapozo: Okay. Any other questions on that specific slide? If not, any other questions? Page 5, top slide, which is the Fund Balance fluctuations, you mentioned increase of transfers out of the Bond Fund of six hundred thousand dollars (\$600,000) in order to fund the General Fund. It had to have come here, but I do not recall and I am not sure if anybody remembers.

Councilmember Yukimura: That is my question, too.

Council Chair Rapozo: Okay. Are you aware of what that was? Ken, maybe you can come up? Can someone come up? I have to believe that it came through this Council, I am just not remembering at the moment.

Mr. Isobe: Actually, the Build American Bonds (BABs) subsidy bonds that you folks floated the sixty million dollars (\$60,000,000) back when...

Council Chair Rapozo: With the Department of Water with the...

Mr. Isobe: The split, yes. The interest investment income that comes from those actually goes to the General Fund.

Council Chair Rapozo: Okay.

KEN N. SHIMONISHI, Director of Finance: Ken Shimonishi, Director of Finance. In addition, we get this Bond Fund subsidy and those moneys we transfer back into the General Fund to reappropriate out.

Council Chair Rapozo: Got it. Thank you. Any other questions?
Councilmember Yukimura.

Councilmember Yukimura: What creates an Enterprise Fund versus a businesslike fund?

Mr. Isobe: That is the same. Your business-type activities...they are presented on...sorry...on page 42, your Public Housing, Sewer, and Golf are your business-type activities or your Enterprise Funds.

Councilmember Yukimura: But Solid Waste is not?

Mr. Isobe: No.

Councilmember Yukimura: What is the difference? We get income from that.

Mr. Isobe: Enterprise Funds should be operating almost as self-sufficient funds. For Solid Waste, you folks subsidize a lot.

Councilmember Yukimura: It is far from...

Mr. Isobe: Correct.

Councilmember Yukimura: But so is the golf course.

Mr. Isobe: Correct.

Councilmember Yukimura: That is why I am wondering what makes you call something an Enterprise Fund and what makes you call something that is not an Enterprise Fund.

Mr. Isobe: I know that there has been some discussion on the Golf Fund itself, but the classification has been as an Enterprise Fund. To convert it, it is probably not as...

Councilmember Yukimura: Easy?

Mr. Isobe: Correct, easy to just change it to a governmental fund. Maybe Finance can speak to that.

Councilmember Yukimura: I see Ken grinning.

Council Chair Rapozo: If I may ask, in your opinion as our auditors, and you know all of the standards like the GASB and all of that stuff as far as reporting; what is your recommendation or what would you advise just coming from purely an accounting opinion? I know it is rough because you have the Administration behind you, but forget about all of that. If you were auditing a private entity—you, as your client—what would you advise them? You have an Enterprise Fund that has been highly subsidized, and I am talking about Solid Waste and the golf course, what would you advise? Should we continue to...

Mr. Isobe: Well, Solid Waste is already a governmental fund. It is not presented as an Enterprise Fund. Golf...maybe because it has been heavily subsidized for many of years, if you see the deficit and how much you folks transfer from the General Fund...

Council Chair Rapozo: Let me ask that question in a different way. Is there any advantage or disadvantage from making a change? For me, if it is not going to create an advantage for the County, whether it is in the reporting...if it is just a name, title, or extra column on your spreadsheet, then fine. But is there an advantage? Everybody knows that certain Enterprise Funds require subsidy.

Mr. Isobe: Correct and I guess that is what it is. It is for us; it is not like...

Council Chair Rapozo: It does not make a difference?

Mr. Isobe: No.

Council Chair Rapozo: Okay. That is what I wanted to know. Thank you. We can explore that with Finance at a later time. Councilmember Yukimura.

Councilmember Yukimura: Should accounting not reflect in some respect the management framework?

Mr. Isobe: I am sorry...

Council Chair Rapozo: That will come later, should we decide to audit the golf course management. At this point, it is just really the financials and making sure the numbers are in line.

Mr. Isobe: Correct.

Council Chair Rapozo: Any other questions before we get to the Single Audit Report?

Councilmember Kawakami: This is not a question, Mr. Chair, but a statement I would like to make.

Council Chair Rapozo: Please.

Councilmember Kawakami: In listening to your line of questioning, if this was a private entity, they would probably recommend that it is time to...if this was a grocery store, it would be time to raise the cost of milk, but I do not think that is too popular.

Council Chair Rapozo: Yes, at some point, or assuming that you had exhausted all of your best management practices of management and that you have done everything you could; then you raise the rates, but at this point...we will have that discussion on the 15th.

Councilmember Yukimura: Or you close it down because it is not making money and...

Councilmember Chock: Both not popular...

Councilmember Yukimura: What? Both popular?

Council Chair Rapozo: It happens every day you read the paper. What is that—Macy's is shutting down stores. That is a management decision that you have to make and it is just...

Councilmember Yukimura: Only in government can you continue this long with a deficit.

Council Chair Rapozo: Yes, well, I am glad that Councilmember Yukimura's voice is so different from mine that nobody is going to mistake that comment coming from me. It is a reality of it. At some point, you have to make that decision, right? That is a huge subsidy for the golf course. We will get to that on the 15th.

Councilmember Yukimura: Well, the Administration is going to come with a plan on the 15th to show how we are going to change all of this, so we have something to look forward to.

Council Chair Rapozo: I am excited. Okay. Any other questions before we move on to the Single Audit Report? With that, please move on to the Single Audit Report.

Mr. Isobe: Okay. The Single Audit is several reports in one (1). The first report that we issue within the Single Audit Report starts on page 6 and goes to page 7. This is our report on Internal Control Over Financial Reporting and Compliance in Other Matters, based on the audit conducted under government auditing standards. On page 7, as it relates to internal controls over financial reporting, we do note here on the second paragraph that we did not identify any deficiencies in internal control that we considered to be material weaknesses, which is a clean report here. I know in the past, we have had findings. I think we spent hours on the stand going over these findings, so it is good that we have none here. In the next paragraph, compliance in other matters, we also note there in the first paragraph, "The results of our test disclose no instances of noncompliance or other matters that are required to be reported under government auditing standards." We do note, and it is required to note here, that we did issue other matters in a separate letter dated December 12th, which is our Management Advisory Report that we will cover after this report.

The second report we issue is on pages 9 to 11 and this is actually a multiple report, too. This is actually a compliance report on your federal awards. On page 10 is our opinion on each major federal program and we can cover which programs were audited this year in a little while. Here in our opinion, the County complied in all material respects with the compliance requirements for these federal awards, meaning that we have no findings on your major programs.

The next section is your Report on Internal Control Over-Compliance. At the bottom of the page, again, we note, "We did not identify any deficiencies and internal control over-compliance that we consider to be material weaknesses," which is a clean report, too. The last part of this report that appears on page 11 is actually a separate report, which we report on your Schedule of Expenditures of Federal Awards, which appears on pages 12 through 23. We are saying here that the information has been subjected to the auditing procedures during the audit of the Comprehensive Annual Financial Report, and in our opinion, the last sentence, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statement. That is a clean opinion on the schedule.

On pages 12 through 23, this is a detailed list of expenditure of your federal awards. There was a change in the compliance requirements by the federal government that we had to implement this year. I believe in the past we used to refer to the audit as an A133 audit. The federal government revised those standards and they now refer to it as the Uniform Guidance. That kind of required us a little bit different auditing procedures as it relates to the cost principle and one of them is on the schedule of expenditures. There is an additional detail here to comply with the reporting standards of the Uniform Guidance.

On page 23, the total federal expenditures reported for the year is about twenty-three million dollars (\$23,000,000). I am sorry—twenty million dollars (\$20,000,000)...this is the current year expenditure...twenty million five hundred thousand dollars (\$20,500,000). This is a decrease from the prior year that used to be twenty-five million five hundred thousand dollars (\$25,500,000), so about a five million dollar (\$5,000,000) decrease. Some of the decreases incurred were a two million dollar (\$2,000,000) decrease in your federal transit capital investment grants, one million six hundred thousand dollars (\$1,600,000) in the capitalization grants for clean water, your state revolving funds, and about one million six hundred thousand dollars (\$1,600,000) in your home investment housing, one of your Housing program's funds.

On page 26, this is a summary of the audit results. On the top, it pretty much summarizes for reporting purposes the financial statement audit. We issued an unmodified opinion and noted no material weaknesses or no significant deficiencies, or reported no significant deficiencies in the internal control and no noncompliance material to the financial statements. On the federal awards or what is reported in here, we reported no material weaknesses and no significant deficiencies over internal control on your major programs. We issued an unmodified or clean opinion on federal awards and noted no findings that needed to be disclosed in accordance with the uniform guidance. We identified the four (4) major programs that were audited. The first one is your Community Development Block Grant (CDBG) moneys. The next one is your home investment partnerships or that HOME Investment Partnerships Program or HOME program. The next one is your Capitalization Grants for Clean Water, so your State Revolving Fund's program. The last one is Formula Grants for Other Than Urbanized Areas, a Transportation grant. The threshold to distinguish between Type A and Type B programs, the seven hundred fifty thousand dollars (\$750,000), so a major A program is any program over that seven hundred fifty thousand dollar (\$750,000) threshold and the County did qualify as a low-risk auditee. Sections 2 and 3, in the past, we have reported findings in Section 2 and 3. This year, I am glad to report that there are no matters reported.

Finally, on page 28, it is a status report from the prior audit. This is the one finding from the prior year that we reported as it relates to the infamous vacation and sick-leave records. I am happy to report that the County has accomplished this finding.

Council Chair Rapozo: That is good news. Real quick, I cannot remember an audit that we have never had any reporting issues. It maybe was not a material weakness, but we always had something. Congratulations to the Administration for that. The vacation and sick-leave records, did you do your random sampling or whatever you call it?

Mr. Isobe: Correct.

Council Chair Rapozo: How many did you pull this year?

Mr. Isobe: Sixty (60).

Council Chair Rapozo: Out of the sixty (60), everything was in?

Mr. Isobe: Correct.

Council Chair Rapozo: Thank you. I do not know what you folks did across the street, but thank you. I think that item had come up in two (2) prior audits, if I am not mistaken.

Councilmember Yukimura: At least two (2).

Council Chair Rapozo: Yes.

Mr. Isobe: I actually believe it is from when we started.

Council Chair Rapozo: How long have you had that contract now?

Mr. Isobe: Five (5) years maybe?

Council Chair Rapozo: Okay. Thank you. That is good news. Any questions on this Single Audit Report? Councilmember Yukimura.

Councilmember Yukimura: I just want to celebrate the fact that there are no significant problems identified for the first time in at least five (5) years maybe. To have these sick-leave and vacation records properly done with sixty (60) entries tested is a huge accomplishment and I want to acknowledge the Department of Finance, and especially the Department of Human Resources, which I think has done a remarkable job. I think our HR Director has been onboard for only one (1) year or two (2) and I think it is her leadership...she has been often criticized, but I think in this case she and her team and the Department of Finance really need to be acknowledged. We are so quick to criticize. We need to also be quick to commend. My question is on page 23 you said that there was a five million dollar (\$5,000,000) decrease in federal grants, which included the transit grant. I wanted to know how much.

Mr. Isobe: It was about a two million dollar (\$2,000,000) decrease in the...it is just expenditures; it is not your amount awarded.

Councilmember Yukimura: Oh I see.

Mr. Isobe: What we report in this report is what was expended during the fiscal year.

Councilmember Yukimura: I see. Okay. So significance wise, there is nothing to be concerned about?

Mr. Isobe: The decrease?

Councilmember Yukimura: Yes. It happens?

Mr. Isobe: It is really going to depend on what the County sees as need to spend the federal awards on. I do not know how to answer that.

Councilmember Yukimura: Okay. Thank you.

Mr. Isobe: The vacation and sick-leave is just a sample.

Councilmember Yukimura: Yes.

Mr. Isobe: I know that the County has done a lot to try and alleviate the problem, but there is always room for improvement and room to continuously improve in the different areas and I think the County has, based on the past years that we have been doing the audit, eliminating the findings and the comments, and I think our management letter at one point had how many comments and the same thing for the Single Audit Report. We had a lot of different comments and findings, but in order to continue this improvement, the financial reporting side and in compliance and internal controls are...

Councilmember Yukimura: Significant?

Mr. Isobe: Correct.

Councilmember Yukimura: Yes, notable. For years, we have been saying okay...you bring it up, and then the next year it is still there and still happening, and then the next year it is still there. To actually have a year where you have not found any real problem is very significant, too. We thank you for your work in always pointing it out. We thank the Administration for really "taking the bull by the horns" and really taking care of the issue. It does not mean that we can rest on our laurels. Thank you.

Council Chair Rapozo: Okay. Now you can move on to the Management Advisory Report, which unfortunately does have some repeat matters. Can we just go over those two (2)?

Mr. Isobe: These are just comments that, as you mentioned, are recurring. The first one, "2016-001 Improve Internal Controls Over the pCard Purchases." We have been through your implementation of the use of the pCards and I guess we just want to continue to make you aware of instances that we do note when we do the test work on these forty (40) samples here where there have been instances where the approval obtained after the purchase was made. There was one instance where the pCard holder was approving their own purchase. Then there were six (6) instances where they were purchasing something over the one thousand five hundred dollar (\$1,500) single purchase limit. The criteria here lists what the County's policies and procedures are related to the use of your pCards and our recommendation. The County continues to strengthen internal controls of the use of the pCards. The volume of the pCards has been increasing. I think when we first started it was only used for limited use and now it has been...I guess the volume and what it can be used for has been expanding. As a preventive matter, to implement strong internal controls over those types of purchases is what our recommendation is.

Council Chair Rapozo: Are there any questions for that one? We will go through each finding, and then we will wrap it up. Councilmember Kagawa.

Councilmember Kagawa: Thank you. Could you say that based on the findings that eight (8) out of the forty (40) samples...wait...so six (6) out of thirty-four (34)...one (1) out of forty (40)...so did you do forty (40) samples or thirty-four (34) samples? I am looking at the top part.

Mr. Isobe: We ended up expanding our sample for some of these items.

Councilmember Kagawa: Okay.

Mr. Isobe: We did additional thirty-four (34) for these single purchases. We are specifically looking for it because we saw a few that started exceeding that one thousand five hundred dollar (\$1,500) amount.

Councilmember Kagawa: So we did a total of how many samples? Seventy-four (74)?

Mr. Isobe: Seventy-four (74).

Councilmember Kagawa: So you did seventy-four (74) samples and there were problems with eight (8)?

Mr. Isobe: Correct.

Councilmember Kagawa: Thank you.

Council Chair Rapozo: Thank you. When you come across these findings, when you come across these transactions, do you verify if the purchase was valid or legal or that it followed procurement? Do you folks follow that transaction and make sure that it was a proper transaction, just that it went over the limit or did not get the approval?

Mr. Isobe: Correct.

Council Chair Rapozo: Do you have that information?

Mr. Isobe: Correct. We actually will verify that there is a receipt and that there are approvals with it. The procurement side, I would just say that one instance is actually in violation of the procurement. The approval should be coming before your purchase. That is actually a violation of the procurement law.

Council Chair Rapozo: Right. Out of the six (6) that exceeded the threshold, what was the range of the charge? What was the largest transaction that you found that was over one thousand five hundred dollars (\$1,500)?

Mr. Isobe: There was one about eight thousand seven hundred dollars (\$8,700).

Council Chair Rapozo: Eight thousand dollars (\$8,000)?

Councilmember Yukimura: Oh my goodness.

Council Chair Rapozo: Okay. I guess we can deal with the Administration on that one. Is that available to us from you? If we requested that support documentation that you used in the audit, is that something we could get?

Mr. Isobe: Yes, we can provide that information.

Council Chair Rapozo: I will have a list of requests for this item. Do you remember what that eight thousand dollar (\$8,000) purchase was?

Mr. Isobe: They charged the copier machine lease payment, I believe.

Council Chair Rapozo: Okay. With a pCard?

Mr. Isobe: Yes, with a pCard.

Council Chair Rapozo: Councilmember Yukimura.

Councilmember Yukimura: Well, we are glad it was not liquor.

Council Chair Rapozo: You are glad it was not what?

Councilmember Yukimura: That it was not liquor?

Council Chair Rapozo: Anyone else?

Councilmember Yukimura: You noted one instance out of forty (40) where pCard holder as division head preapproved their own purchase. So a division head is supposed to always get approval from the person above them, like the department head, right? Is that how it goes?

Mr. Isobe: Correct, to the department head.

Councilmember Yukimura: So that was the procedure that was violated?

Mr. Isobe: Yes.

Councilmember Yukimura: Okay.

Council Chair Rapozo: Now these two (2) that show up without the approval or without the preapproval, do those two (2) show up in the six (6) as well? Are these duplicates? I am just trying to determine how many...are they isolated? In other words, the instance where the approval was obtained after the purchase that was less than one thousand five hundred dollars (\$1,500)?

Mr. Isobe: Correct. It does not duplicate.

Council Chair Rapozo: The division head that approved their own purchase was less than one thousand five hundred dollars (\$1,500).

Mr. Isobe: Correct.

Council Chair Rapozo: Okay. I will be asking for these six (6) transactions...I am sorry, eight (8) transactions from you folks and we will send over something in writing. Councilmember Kaneshiro.

Councilmember Kaneshiro: I guess for me, in the instances where the pCard threshold was exceeded, is this a matter where they did not get the proper approval or they were going to charge it and they got the approval to charge a higher amount?

Mr. Isobe: I do not believe the policy allows you to charge over those one thousand five hundred dollars (\$1,500) so that is violating the County's policies and procedures for the pCard use itself.

Councilmember Kaneshiro: They need to get proper approval prior to charging on the pCard anyways, right?

Mr. Isobe: Correct.

Councilmember Kaneshiro: For me when I think about it, if I want to charge eight thousand dollars (\$8,000) for a copier, if I go through the process and try to get the approval, they are going to say that it is more than the one thousand five hundred dollars (\$1,500) you are allowed on the pCard. So is it that they did not get the proper approvals or did they go through the approval process and they made an exemption based on needing to make that payment right away?

Mr. Isobe: So the approval is there—what we kind of talk about here in the cause...the respective departments and agencies are required to self-report any procurement violations and the policies and procedures are pretty much out at the departments themselves, so it is almost like self-policing themselves on whether or not they are violating these procurement process, policies, and procedures itself. I am not exactly sure of the root cause of why it got approved to do that purchase, but the approvals were there on that purchase.

Councilmember Kaneshiro: Okay, so there were approvals for the instances where we exceeded the pCard threshold?

Mr. Isobe: Correct.

Councilmember Kaneshiro: Okay.

Council Chair Rapozo: I do not understand how that could happen because it is one thousand five hundred dollars (\$1,500), right?

Mr. Isobe: Correct.

Council Chair Rapozo: There should be no pCard purchases over one thousand five hundred dollars (\$1,500), with or without approvals.

Mr. Isobe: Correct.

Council Chair Rapozo: That is how I understand the policy. So for someone to give the okay, they are violating the policy as well. Do you know what I am saying?

Mr. Isobe: Correct.

Council Chair Rapozo: There should be no pCard purchase over one thousand five hundred dollars (\$1,500)—I do not care what. I think that is a problem. I do not know how we do copier rentals or whatever we pay, but that is in a line item and that is in the budget. That typically is done with a purchase order or check. I am not sure why someone decided to go use a credit card. I do not know and I do not get it. I guess we will have that discussion later. Anyway, I guess I will have some questions for the Department of Finance. Any other questions on this? This is also a recurring matter.

Mr. Isobe: Correct.

Council Chair Rapozo: Councilmember Kagawa.

Councilmember Kagawa: So I guess from the auditor's standpoint, to reduce the occurrence of the six (6) where the pCard holder...it is common practice when six (6) out of thirty-four (34) is going over the one thousand five hundred dollars (\$1,500). Is there a stronger consequence that needs to be in place to make sure that the pCard thresholds are followed, and they are followed knowing that if they go over the one thousand five hundred dollars (\$1,500) that there will be a stiff consequence?

Mr. Isobe: I believe if on the procurement side, on the purchasing side that if they provided them with violations or notice of violations of these policies and procedures—right now, it is where they need to let them know that they violated the procurement policy or pCard use policy and they self-report themselves, there could be a backend...when it is coming through Purchasing, verifying the procurement policies and procedures are being followed, whether it would be sampling or testing every so often or verifying that the...if the transaction exceeded the one thousand five hundred dollars (\$1,500), they go back to that pCard user and make notice that they are in violation of their pCard use. I believe if you violate your pCard use you could get it taken away.

Councilmember Kagawa: Yes, I think that is what I was kind of getting to. I talked to a person who works on the Base and when this pCard issue came up in the last audit, they said that they do not have problems at the Base with the pCard and that they use it frequently. If you violate the pCard down at the Base, you get your card taken away. Maybe we need to be stiffer with that to reduce the abuse.

Mr. Isobe: Correct.

Councilmember Kagawa: Okay. Thank you.

Council Chair Rapozo: Which department was that?

JOHN BAUTISTA, N&K CPAS, Inc.: For which one?

Council Chair Rapozo: What?

Mr. Bautista: For which finding?

Council Chair Rapozo: The eight thousand dollars (\$8,000)? Was it Council Services? If it was our department, I would take the card away. It is that simple. Eight thousand dollars (\$8,000)? "You are done. Now you are going through the normal process." Please do not tell me it is us.

Mr. Bautista: The Police Department.

Council Chair Rapozo: Okay. We will let the Administration take care of that process. Any other questions as it relates to the pCard? I just asked Scott, "Is that us?" He said, "I know it is not us because we cannot go over one thousand five hundred dollars (\$1,500)." He knows. Anyway, any other questions? If not, we can move on to the Treasury Trust Accounts.

Mr. Isobe: Page 5, finding "2016-002 Review Treasury Trust Accounts." For this finding, I believe we brought up in our first audit years ago. There was a bunch of different things that we had noted. In context, the County has approximately one million four hundred thousand dollars (\$1,400,000) in these Treasury Trust Accounts. We looked at three (3) of them, which totals about one million two hundred thousand dollars (\$1,200,000) of that one million four hundred thousand dollars (\$1,400,000). The Planning Treasury Trust Account holds about ninety-nine thousand four hundred four dollars (\$99,404) that actually relate prior to July 30, 2013. The details of that balance...we were unable to obtain the support for that. Just a little background, I believe a few years back, we had reported about this finding in the Planning Treasury Trust and that was actually related to the collection of some of these fees that were being used for Planning notices, and those fees were going into this Planning Trust and the expenditures to post public notices were being expended from this account, which we did not feel should be going into the trust. The account was actually collecting revenues and expenditures related to the Planning Department. They cleaned it up, they moved it, and they started reporting the revenues and expenditures where it is supposed to be. They told us that these ninety-nine thousand dollars (\$99,000) that related to the remaining balance was correct and that those related to non-fees. As it transpires now, we are not one hundred percent (100%) sure what that ninety-nine thousand dollars (\$99,000) actually relates to. I believe there was a transfer a couple of years ago that cleaned out that was supposed to have cleaned out that account and they left those ninety-nine thousand dollars (\$99,000) there.

Council Chair Rapozo: I am assuming that it is not that serious because it is not showing up in any of the deficiencies or weaknesses, but if I remember correctly when we had the Treasurer up here after the last audit, he did not think it was a big deal. It did not seem like they were going to change the current practice. So you are saying that the ninety-nine thousand four hundred four dollars (\$99,404) that were deposits prior to 2013, we really cannot identify where it is from or where it came from?

Mr. Isobe: So your trust accounts are actually moneys that you are holding for somebody else.

Council Chair Rapozo: Right.

Mr. Isobe: If you are holding it for somebody else, you should be able to say who you are holding it for.

Council Chair Rapozo: You would think.

Mr. Isobe: Sorry, I was just stating the obvious.

Council Chair Rapozo: That is what we do not have.

Mr. Isobe: Correct.

Council Chair Rapozo: So there are ninety-nine thousand dollars (\$99,000) sitting in that account and we do not know who deposited that.

Mr. Isobe: Correct.

Council Chair Rapozo: The next question is how do we make that correction? Do we just carry it every year as a finding? Something needs to be done with those ninety-nine thousand dollars (\$99,000).

Mr. Isobe: I believe originally, and this goes back a few years, there was a listing. I believe it just needs to be found. I do not have the best memory, but I remember that we were able to see a detailed listing of everything that was going in and out and that is where we saw so many transactions and that is where we felt that it was not...it should not be collecting those Planning fees...those are revenues and the expenditures to go post the public notice were expenditures that should be reflected in Planning versus in this trust account. The difference was not being returned...it was not like a deposit, it was actually like a fee. At that point years back, I believe there was a listing. Now, when we get the reconciliation, it carries just that number. We asked for support and we were unable to get it.

Council Chair Rapozo: I see in the Administration's response that they have implemented procedures going forward, but I do not see what the plan is to fix that issue with those ninety-nine thousand dollars (\$99,000). Do you put a notice in the paper that says, "The County has ninety-nine thousand dollars (\$99,000) from somebody who we forgot gave it to us. If you can bring a receipt, we will pay you back your money?" I just feel uncomfortable with ninety-nine thousand

dollars (\$99,000) sitting in some account and we do not know where it came from. I do not even see how that is not a finding or weakness. That does not show good financial management practices right there, but that is fine. It is still an issue. Maybe we will hear from the Administration as far as what the plan is to take care of that money. I cannot see holding somebody's money that is not ours.

Mr. Isobe:

Correct.

Council Chair Rapozo: Any other questions? If not, thank you, for now. You can have a seat. We will take our caption break now because it is just about the ten thirty period. We will come back in ten (10) minutes and we can start taking some public testimony and have the Administration up. Ten-minute recess.

There being no objections, the meeting recessed at 10:27 a.m.

The meeting reconvened at 10:42 a.m., and proceeded as follows:

Council Chair Rapozo: Let us call the Administration up first before we take public testimony. That way you can hear what they have got to say before you bash them. Councilmember Kagawa.

Councilmember Kagawa: Congratulations Ken. You accomplished a lot over the past fiscal. My question just basically is about the pCard and what your plan is. How are you going to address these six (6) instances out of thirty-four (34) that are going over the threshold of one thousand five hundred dollars (\$1,500), which I think to anybody watching this, especially the public, is not a hard rule to follow? It is very simple. There is no excuse for going over. That is why it is called a pCard. For me, what is your plan? Are you going to follow or work with the Council so that we can follow something that the Base does, where the Base takes it away if they violate something so simple like that? Are you going to work with First Hawaiian Bank or whatever to try to prevent it?

There being no objections, the rules were suspended.

Mr. Shimonishi: Good morning Councilmembers. Ken Shimonishi, Director of Finance. First of all, I want to thank our accounting staff: our Systems Administrator Renee Yadao, our System Control Analysis Sheryl Silva, and also our Grants Program Manager Anne Wooten. Anne takes care of the Single Audit, which as you heard was a clean audit. Those staff, along working with our department heads put together our best foot forward regarding our financials. On the pCard violations, you are correct—after hearing about this, my question was how can we simply get the limit adhered to? All I did was write to First Hawaiian Bank and said to limit all of the pCards to no more than one thousand five hundred dollars (\$1,500) per single transaction and that is that. We have, in the past, revoked pCards for violations, depending how egregious they are. Some will come with a warning, versus immediate revocation. That is a process that we do follow and that we take seriously. Part of the missing component is a secondary review. Right now, the departments have their delegated authority on exercising the procurement with the use of the pCards. I have been talking with our Purchasing Division Chief Mr. Barreira on how we implement some sort of review, even if it is

on a sample type basis, rather than a full, complete review at every processing. That is something that I am looking at doing.

Councilmember Kagawa: Thank you.

Council Chair Rapozo: Thank you. Anyone else? So you do not have an idea right now, aside from what the auditors identified? You folks do not have an accounting of how many may have gone over, besides the six (6)? I would assume that somebody does a routine...

Mr. Shimonishi: Right.

Council Chair Rapozo: I know for my credit card accounts that you can set an alert that if anything goes over a certain amount, you get an E-mail. We do not have any types of those alerts?

Mr. Shimonishi: No. We do have our pre-audit clerks in the Accounting Division processing the actual payment, but it is really...they are looking more for "was this approved or not" and things of that nature, not necessarily "was the actual procurement piece followed" or "was the approval received prior to the transaction occurring." For some things, if it does jump out, they will bring it, but really, that is not where the responsibility lies.

Council Chair Rapozo: Yes. I do not expect you folks to...

Mr. Shimonishi: So that is where I implemented with the bank immediately the one thousand five hundred dollar (\$1,500) limit, and again, working with our Purchasing Chief to see what kind of sampling review we can do initially to get this taken care of.

Council Chair Rapozo: I am going to ask a real dumb question because I think a lot of people...we hear pCard all of the time, "What is a pCard?" Is a pCard like a debit card? Is it directly connected to the bank account or is it processed after the transaction is made, is it further processed by our staff?

Mr. Shimonishi: The pCard is like a credit card, but it is only for our purposes, a means of payment. All procurement activities still have to occur prior to executing the actual payment.

Council Chair Rapozo: Right.

Mr. Shimonishi: We do get a statement that includes all of the transactions for a given period of time that is processed on a weekly basis.

Council Chair Rapozo: Right.

Mr. Shimonishi: We process that and make the payment on a credit card bill, so to speak.

Council Chair Rapozo: But it is not a credit card in a sense that you cannot charge for more money than we have in the bank, right?

Mr. Shimonishi: Each card has aggregate limits assigned.

Council Chair Rapozo: What I am saying though is like a debit card, when I use a debit card, it takes the money out of my bank. That money gets removed from your bank to the vendor, versus a credit card which shows up as a charge on your statement and you pay back slowly or whatever you want to do. This is not a credit card, right?

Mr. Shimonishi: It is a credit card setup.

Council Chair Rapozo: So the money is not transferred immediately? It does not come out of the bank immediately?

Mr. Shimonishi: No.

Council Chair Rapozo: So we have to process that transaction?

Mr. Shimonishi: Correct.

Council Chair Rapozo: Okay.

Mr. Shimonishi: The County has an aggregate limit, as well as individual limits.

Council Chair Rapozo: Okay, but for that, we pay every month in full?

Mr. Shimonishi: Correct.

Council Chair Rapozo: Okay. About how many transactions about a week?

Mr. Shimonishi: Oh my goodness...I am not sure, but I believe it is at least several thousand.

Council Chair Rapozo: A week?

Mr. Shimonishi: Sorry, I was thinking annually.

Council Chair Rapozo: You said that we receive a weekly statement, right?

Mr. Shimonishi: Right.

Council Chair Rapozo: So I am just thinking that if we go down the list...I think eight thousand dollars (\$8,000) would stick out or five thousand dollars (\$5,000) would stick out. I do not know how many is on there. I do not know what we do in one (1) week.

Mr. Shimonishi:
pretty high volume.

I am not completely sure, but I know it is a

Council Chair Rapozo:
Yukimura.

Okay. Any other questions? Councilmember

Councilmember Yukimura: I want to second Vice Chair's congratulations and thank you and your team because you are not just showing continuous improvement, but you are also it seems like anticipating the GASB, doing GASB, and doing some of the requirements ahead of time. It is just very good work and we really appreciate it.

Mr. Shimonishi: Thank you. Again, it is really the staff that put this all together and executed the policies and maintains all of the knowledge and expertise. Thank you.

Council Chair Rapozo: Any other questions? Thank you. How about the treasury? Anything on the treasury, Mike? Any ideas of how we are going to deal with that money?

MICHAEL A. DAHILIG, Planning Director: When we were presented with this finding back in 2011, the major operational change that was recommended by the auditor was to move the actual payment of advertising, pursuant to the Code. So every time we do a permit, we have to do public notices for agency hearings, et cetera. What had happened previously is those fines...those fees...I have a lot of fines on my mind...these fees as prescribed by law or by rule were deposited into the Treasury Trust Fund and they were used as almost an operational fund for advertising. This was the case prior to 2013 when the auditor said in 2011 that you need to start appropriating for the advertising and instead deposit the fees directly into the General Fund instead of this treasury account. So that is where, previous to 2013, the practice had been. What had happened and transpired since 2013 is that we explained to the auditors that the practice of operating, using the treasury fund as an operating account, created a problem where a surplus was over time was accrued. I will give you a simple example. Let us say that we had four (4) applications that came in for one thousand dollars (\$1,000) a piece, so we add four thousand dollars (\$4,000) in the account. But let us say that the advertising was one thousand dollars (\$1,000) in the newspaper. So it became practice to not give a negative or an accrued or a credit to each of those four (4) applicants by saying, "Okay, we only spent two hundred fifty dollars (\$250) out of the one thousand dollars (\$1,000) you gave us in the fee because the advertising only cost one-quarter of what the overall advertising had cost." So over time, that had accrued this balance. So the reason why we have had difficulty in saying what are people owed is because we would have to go through the process of saying or proportioning out those older advertisements and saying, "Okay, well, there were only four (4) people on that advertisement that week" or "there were only two (2) people," or "there was only one (1) person," or "there were five (5)." Whether you would say that that person is owed the money versus was charged the fee as required by rule or by ordinance and whether that was an obligation to be paid in full or whether they were owed money back was also a question as well. My staff has gone through the process of looking potentially if we were to proportion out how much of the fee were to be refunded back, we have gone that far and actually committed a lot of man

hours, pursuant to the auditor's finding, to see, "Okay, if we went proportionality-wise, here is what it would look like." It is a vestige of what happened prior to our adjustment to now appropriate for advertising costs and depositing the required fees into the General Fund, versus this trust fund. So that is why we have this accrued balance.

Council Chair Rapozo: Is there a way we can move that money?

Mr. Dahilig: We do have options. If we were to apply, and we would have to probably check with the Office of the County Attorney if we were applied the proportion approach to whether your advertising was with three (3) people, versus one (1) person, versus four (4) people, and compared that to the cost of the actual advertisement. We could approach it that way. Again, these fees were set by rule or by ordinance, so it was a flat fee that was given. It was not as if we were charging them for the actual cost of advertising. There are situations where the cost of advertising was more than the fee that was actually paid. So to be consistent with that, if we were to pay out the moneys to these people, we would also have to submit invoices to those people that were undercharged based on the set fee.

Council Chair Rapozo: That is probably not practical.

Mr. Dahilig: Yes.

Council Chair Rapozo: I accept that. Is there a way, rather than leaving ninety-nine thousand dollars (\$99,000) in some account somewhere to transfer those funds over to the General Fund or to a Planning fund and utilize the funds, knowing that we may have a claim against that fund at some point, which obviously we would pay.

Mr. Dahilig: We would agree, Chair. I think we have done it partially once, pursuant to the finding in 2013 that we had already liquidated a portion of the Treasury Trust Fund to the General Fund. We believe that if anybody would like to seek a claim against us, we would rather us handle it that way, versus going through a comprehensive list of every single advertisement of every single permit that came through, because we are talking claims potentially in the order of twenty dollars (\$20) to thirty dollars (\$30) to fifty dollars (\$50).

Council Chair Rapozo: I guess that is my point. That is why I am thinking like the storage companies, they put up one (1) notice and you have so many days to claim it because it is one hundred thousand dollars (\$100,000).

Mr. Dahilig: Yes. It is a substantial amount.

Council Chair Rapozo: Maybe you can work with the Office of the County Attorney to figure out how that can be done so that disappears for the next audit. I would not want to see that back here again as a finding.

Mr. Dahilig: Okay.

Council Chair Rapozo: Anything else?

Mr. Dahilig: Since I am here at the microphone, I might as well admit my department's guilt as going over one thousand five hundred dollars (\$1,500) on the pCard transaction. So we were caught as well and I think we internally made the adjustment so that we take away pCards from people and consolidated our procedures so that only one (1) or two (2) people now handle the procurement, versus a distributed amount. Ken's office has been great in trying to work with us in how to better operate our controls, but we are also pegged in that situation.

Council Chair Rapozo: Well, with Ken's action, that will never happen again anyway.

Mr. Dahilig: Yes.

Council Chair Rapozo: If the one thousand five hundred dollars (\$1,500) is the bank cut-off, then good luck. It is not going to work. While you took the liberty to admit, I will take the liberty and say that Councilmembers do not have pCards, just for the general public. I know it is a joke that people like to bring up, but we do not have pCards. Thankfully, we do not need pCards. Thank you folks. Who is the registered speaker? Anne Punohu.

ANNE PUNOHU: Anne Punohu. *Aloha*. These are my notes from what I heard. I am terrible with math and I never talk on budget items. I think this is probably the first time I have ever talked about what I heard today. I want to commend the auditors for really lessening the perception of corruption in the County at all levels. I think they have done a great job. I think they have sat on everybody super, super hard, in a way that they cannot wiggle out of. What I heard from the Administration was...because I had questions...actually, I had huge questions about the pCard thing and the ninety-nine thousand dollar (\$99,000) thing. But then I still do. My question is how did either one happen in the first place? Audits are very cool...this is the first day I am going to say "audits are cool." You can really discover stuff from audits. Wow. Who would have thought? Of course I do not want to see anymore incidences with ninety-nine thousand dollars (\$99,000) in overcharging people for fees. Planning...on their fees charged...good...we will not have that again. The second thing I was concerned about was the pCards. From what I hear, we will not be having that again. I did have two (2) questions on the pCard. My one question is, are department heads exempt from the one thousand five hundred dollar (\$1,500) fee and can they improve their own expenditures on the pCard? My other question is it says "per transaction," so could you make ten (10) transactions and charge ten thousand dollars (\$10,000) in a day or a week or a month? I am just curious about that because that seems like a way to get around that. I also have a couple of comments about a few other things. I only have the Condition of the County Treasury in front of me and when I look at the numbers, which I am trying to understand, but being a complete math idiot, I probably do not understand it correctly. I still feel that some of the numbers compared to the golf course, as compared to HUD Housing and all of that kind of stuff are too comparative and I would like to see more done with housing funding. I also had a comment about the golf course because that came up. The thing with the golf course and the public swimming pools are that these are amenities provided because the public cannot afford or has no community access to

them other than...the tourists have access to golf courses and the tourists have access to swimming pools and that is the same thing. We still need to fund the golf course because it is unfair that our people do not have access. On the same line as that, a comment was made about how...let me see...where it is...it was the...Councilmember Yukimura, what was that? You were talking about that.

Council Chair Rapozo: Anne, hold on. Anyone else wishing to testify? If not, you can have your second three (3) minutes.

Ms. Punohu: Thank you. I did not see my red light. Sorry. What was that called? Residential Investor? It was stated that that would solve the problem or close the gap between poor and rich. I do not understand how that works and I would definitely like to see a clarification of what that statement means, how it is reflected in the budget, and how that has actually been accomplished at all through this fiscal year. Let me see...anything else...no...other than good job, more accountability. Keep it up. *Aloha*.

Council Chair Rapozo: Thank you very much. With that, I will call the meeting back to order. Further discussion before we move on? No discussion? The motion is to receive.

There being no further testimony, the meeting was called back to order, and proceeded as follows:

The motion to receive C 2017-40 for the record was then put, and unanimously carried.

Council Chair Rapozo: Motion carried. Thank you. It is eleven o'clock. We have some Executive Session items that we need to get through before we actually go through the agenda. There is a possibility that we could finish the agenda before lunch. We have two (2) options: we can go to Executive Session for the items that require a subsequent vote, and then come back and when we are done, BC can leave; or we can go through the agenda and come back to the Executive Session later. Does anybody have a preference? If you want that, that means we would go into Executive Session first so we can get through the votes. Let us just finish up what we can, and then we will come back and wrap up the Executive Sessions that we need to do that vote.

SCOTT K. SATO, Deputy County Clerk: The next item is C 2017-41.

C 2017-41 Communication (01/12/2017) from the County Attorney, transmitting for Council information, the Quarterly Report on Settled Claims which were filed against the County of Kaua'i from October 1, 2016 through December 31, 2016: Councilmember Yukimura moved to receive C 2017-41 for the record, seconded by Councilmember Brun.

Council Chair Rapozo: Thank you. Any discussion or public testimony?

There being no objections, the rules were suspended to take public testimony.

There being no one present to provide testimony, the meeting was called back to order, and proceeded as follows:

The motion to receive C 2017-41 for the record was then put, and unanimously carried.

Council Chair Rapozo: Motion carried. Next item.

Ms. Fountain-Tanigawa: Chair, did you want to skip over C 2017-42 and C 2017-43?

Council Chair Rapozo: Yes, we will those items at the end after we complete the agenda after the Executive Sessions. Let us go to the claims, please.

There being no objections, C 2017-44 was taken out of order.

CLAIMS:

C 2017-44 Communication (01/10/2017) from the Deputy County Clerk, transmitting a claim filed against the County of Kaua'i by Sheilah H. Rego, for damages to personal property, pursuant to Section 23.06, Charter of the County of Kaua'i.

C 2017-45 Communication (01/18/2017) from the Deputy County Clerk, transmitting a claim filed against the County of Kaua'i by Amil R. Valpoon, III, for damages to a vehicle in his possession on behalf of the vehicle's owner, William Pavao, pursuant to Section 23.06, Charter of the County of Kaua'i.

Councilmember Kagawa moved to refer C 2017-44 and C 2017-45 to the Office of the County Attorney for disposition and/or report back to the Council, seconded by Councilmember Yukimura.

Council Chair Rapozo: Thank you. Any discussion or public testimony?

There being no objections, the rules were suspended to take public testimony.

There being no one present to provide testimony, the meeting was called back to order, and proceeded as follows:

The motion to refer C 2017-44 and C 2017-45 to the Office of the County Attorney for disposition and/or report back to the Council was then put, and unanimously carried.

Council Chair Rapozo: Thank you. Next item, please.

COMMITTEE REPORTS:

PUBLIC WORKS / PARKS & RECREATION COMMITTEE:

A report (No. CR-PWPR 2017-07) submitted by the Public Works / Parks & Recreation Committee, recommending that the following be Received for the Record:

“PWPR 2017-05 Communication (11/29/2016) from Councilmember Yukimura, requesting the presence of the Acting County Engineer, to provide a briefing on the estimated \$100 million backlog for road repairs and maintenance,”

Councilmember Kagawa moved for approval of the report, seconded by Councilmember Yukimura.

Council Chair Rapozo: Thank you. Any discussion or public testimony?

There being no objections, the rules were suspended to take public testimony.

There being no one present to provide testimony, the meeting was called back to order, and proceeded as follows:

The motion for approval of the report was then put, and unanimously carried.

BUDGET & FINANCE COMMITTEE:

A report (No. CR-BF 2017-03) submitted by the Budget & Finance Committee, recommending that the following be Approved on second and final reading:

“Bill No. 2641 – A BILL FOR AN ORDINANCE AUTHORIZING THE EXECUTION OF A LONG-TERM LEASE AGREEMENT WITH THE STATE OF HAWAII, DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION,”

A report (No. CR-BF 2017-04) submitted by the Budget & Finance Committee, recommending that the following be Approved as Amended on second and final reading:

“Bill No. 2642 – A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. B-2016-812, AS AMENDED, RELATING TO THE OPERATING BUDGET OF THE COUNTY OF KAUAI, STATE OF HAWAII, FOR THE FISCAL YEAR JULY 1, 2016 THROUGH JUNE 30, 2017, BY REVISING THE AMOUNTS ESTIMATED IN THE GENERAL FUND (*Transportation Agency – Six (6) New On-Call Driver Positions*),”

Councilmember Chock moved for approval of the reports, seconded by Councilmember Kaneshiro.

Council Chair Rapozo: Thank you. Any discussion or public testimony?

There being no objections, the rules were suspended to take public testimony.

There being no one present to provide testimony, the meeting was called back to order, and proceeded as follows:

The motion for approval of the reports was then put, and unanimously carried.

COMMITTEE OF THE WHOLE:

A report (No. CR-COW 2017-01) submitted by the Committee of the Whole, recommending that the following be Approved on second and final reading:

“Bill No. 2643 – A BILL FOR AN ORDINANCE TO AMEND THE KAUAI COUNTY CODE 1987, AS AMENDED, BY REPEALING ARTICLE 23 OF CHAPTER 22, RELATING TO PESTICIDES AND GENETICALLY MODIFIED ORGANISMS,”

Councilmember Chock moved for approval of the report, seconded by Councilmember Yukimura.

Council Chair Rapozo: Thank you. Any discussion or public testimony?

There being no objections, the rules were suspended to take public testimony.

There being no one present to provide testimony, the meeting was called back to order, and proceeded as follows:

The motion for approval of the report was then put, and unanimously carried.

Council Chair Rapozo: Thank you. Next item.

RESOLUTIONS:

Resolution No. 2017-14 – RESOLUTION CONFIRMING MAYORAL APPOINTMENT TO THE BOARD OF REVIEW (*Russell M. Wong*): Councilmember Yukimura moved for adoption of Resolution No. 2017-14, seconded by Councilmember Chock.

Council Chair Rapozo: Thank you. Any discussion or public testimony?

There being no objections, the rules were suspended to take public testimony.

There being no one present to provide testimony, the meeting was called back to order, and proceeded as follows:

Council Chair Rapozo: Seeing none. Roll call.

The motion for adoption of Resolution No. 2017-14 was then put, and carried by the following vote:

FOR ADOPTION:	Brun, Chock, Kagawa, Kaneshiro, Kawakami, Yukimura, Rapozo	TOTAL – 7,
AGAINST ADOPTION:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Ms. Fountain-Tanigawa: Seven (7) ayes.

Council Chair Rapozo: Next item.

Resolution No. 2017-15 – RESOLUTION AUTHORIZING THE MAYOR OR THE DIRECTOR OF FINANCE OF THE COUNTY OF KAUAI TO ENTER INTO AN INTERGOVERNMENTAL AGREEMENT WITH THE STATE OF HAWAII, DEPARTMENT OF HEALTH FOR A LOAN FROM THE STATE WATER POLLUTION CONTROL REVOLVING FUND FOR THE BEST MANAGEMENT PRACTICE (BMP) IMPROVEMENTS AT VARIOUS REFUSE STATIONS, PROJECT NO. NPS0059-25: Councilmember Kagawa moved for adoption of Resolution No. 2017-15, seconded by Councilmember Chock.

Ms. Fountain-Tanigawa: Chair, we do have a registered speaker, Evan Price.

Council Chair Rapozo: Okay. Thank you. With that, I will suspend the rules.

There being no objections, the rules were suspended.

EVAN PRICE: Thank you, Chair and Councilmembers. Evan Price, speaking on behalf of my daughter, Carolyn Price, who is in school right now. First of all, I would like to publically thank...Carolyn just had a recent bit of success on her ongoing career path of becoming a public servant. Carolyn was accepted to Wellesley College and part of that...she would like to thank the village of Kaua'i that has helped raised her as a single parent. Several of you at the table here helped raise Carolyn. Councilmember Yukimura was active in the Anti-Bullying Campaign and a drug and alcohol prevention program that Carolyn participated in. Carolyn has met several times with Council Chair Mel Rapozo and spoken with Councilmembers Mason Chock, Arryl Kaneshiro, and Ross Kagawa, and the Mayor and the County Prosecutor Justin Kollar. All of you folks have given extra time beyond your call of duty to help give opportunities for the young leaders of Kaua'i as students to step up and practice developing public policy experience. Thank you, Councilmember Yukimura and Council Chair Rapozo, and Councilmembers, also to Mayor Carvalho and Justin Kollar, for a two hundred thousand dollar (\$200,000) scholarship to Wellesley College. You all share in that and Carolyn stands on the shoulders on a lot of people in the community that contribute to youth programs. Thank you for your supported youth programs. I am here specifically to speak on a comprehensive solid waste strategic plan, developing best practices for a landfill diversion. The Resolution that Councilmember Kagawa is bringing forth shortly to borrow seven million dollars (\$7,000,000) from the State

to help avoid penalties that are coming from the lack of a comprehensive strategic plan and best practices with solid waste management. Carolyn has spoken with twenty (20) different major stakeholders in her doing her research for a senior project at Island School. Everything from the haulers, the current vendors, condominium management association like the Hyatt and the various different hotel and also...the green committee at Costco and the green committee is at Walmart. A comprehensive group of stakeholders, as well as community businesses. There...

Council Chair Rapozo: You can go ahead and do your second three (3) minutes. There is no one else after you so you can go ahead and continue.

Mr. Price: There actually is a great amount of consensus and support for comprehensive landfill diversion practices, which are basically collecting and gathering recoverable resources that have a resale value of plastic, cardboard, paper, metals, and aluminum. Glass is also collected as a recoverable resource and a landfill diverted item, but it does not really have any value. To cut to the chase, there is nationwide every community, every municipality has a solid waste strategic plan. There are many municipalities in the country and in Canada, Prince Edward island, that have very successful and cost-effective programs and in studying those and researching those there are conclusions and reports that are available and also the County has a six (6) or eight (8) year old consultant plan that is there on the table that is pretty comprehensive and pretty good guidance. What I would like to request is either the County submit a request for proposal for a comprehensive strategic plan and give a five thousand dollar (\$5,000) award and have a public discussion in a public forum of that solid waste landfill diversion and strategic...it is everything from curbside collection of community resources and policies that hotels, grocery stores, and businesses would do for their non-commingled recoverable resources and then the haulers that are licensed to deliver those to a compaction baling center. The discussion of what size and what type of a MRF would be most cost-effective. For large communities, a commingled MRF is cost-effective for smaller municipalities, a slightly different version of a MRF, that does not commingle those resources and baling and the clean sort is done much more cost-effectively. Carolyn would like, and on her behalf, requesting that there is a public meeting to discuss and vet the cost-effectiveness of that strategic plan. The goal of that would be to avoid the piecemeal borrowing of seven million dollars (\$7,000,000) to cover...there is water collecting from a swale that is getting into a system, and then we get a fine from the Department of Health. We would like to request that there is a comprehensive think-tank type of discussion, or else an RFP proposal for a strategic master plan solid waste discussion happen quickly so that the short-term, very expensive costs do not keep occurring, and then we have a comprehensive strategic plan for solid waste.

Council Chair Rapozo: Mr. Price, I have to stop you because your three (3) minutes are up. Thank you very much.

Mr. Price: There are a lot of resources available like the Navy and there are a lot of people that can come to the table that are not even identified in a normal request for proposal process. There are County corrections workers...

Council Chair Rapozo: I have to stop you. I am sorry, you went way beyond your time.

Mr. Price: Okay. Thank you.

Council Chair Rapozo: Thank you very much. Anyone else? If not, I will call the meeting back to order. Councilmember Yukimura.

There being no further testimony, the meeting was called back to order, and proceeded as follows:

Councilmember Yukimura: I want to congratulate Carolyn for her outstanding achievement in being accepted to Wellesley. Thank you for your acknowledgments and I think we need to include in the acknowledgments her father, Evan Price, who has been a single-parent and raised her so beautifully. I want to say that Mr. Price, on behalf of Carolyn, has put forth a very beautiful vision of what solid waste management could be. Actually, as you spoke, I could see our transfer stations transforming more and more from throwaway into landfill to recycling stations where people can drop-off, and put the materials into the stream that will turn into useful commodities. We actually have an integrated solid waste management plan, but the recycling and reuse and diversion portion could be greatly increased. We need to discuss...in the last budget, I proposed four hundred thousand dollars (\$400,000) to finish design of the MRF, and that did not pass because of a tight budget. But the MRF is already in our plan and was supposed to be implemented by 2009. It has been terribly delayed. There is maybe lack of more detailed planning, but it has more been lack of will to implement and moneys to implement. Thank you very much for the focus, which is very, very important and will put us on the right track.

Council Chair Rapozo: Thank you. Councilmember Kagawa.

Councilmember Kagawa: I just want to clarify that this Resolution is not my resolution; it came from the Administration due to problems that have been cited by the State Department of Health. These are long overdue improvements that should have been done years ago. The Administration has come up with a great funding plan by going after these State Revolving Funds. This is a good financial way of attacking a problem, but the problem, I must say, should have been addressed years ago due to negligence. We need to do better overall. If you eliminate these problems, then you do not need to find these brilliant solutions for funding all at once. Thank you, Chair.

Council Chair Rapozo: Councilmember Yukimura.

Councilmember Yukimura: I want to just add to what Vice Chair has said. This loan fund has been available for years and had we had the kind of foresight and attention, we could have accessed those moneys earlier to create the improvements and avoided the one hundred thirty-eight dollars (\$138,000) in fines that we have received; one hundred thirty-eight thousand dollars (\$138,000) that could have been spent on recycling instead or diversion. It is very unfortunate that we are in this position, but it is very fortunate that we are able to access this fund

and make the repairs, rather than use taxpayer...well, real property taxes are local revenues to do that. Actually, we are doing it to pay it back, but at least we are doing it on good terms.

Council Chair Rapozo: Thank you. Anyone else? It is one of those could have been avoided, but at this point, it is the best resolution possible. I also want to congratulate Carolyn for her acceptance and her scholarship. For those that have met Carolyn, I think you know and you can appreciate...she is a special young woman. I do not think I have met someone of her age that has the conceptual ability or just the ability to look so far ahead. She is well beyond her age in knowledge and the ability to put things together and come up with a plan. I just wish we could have taken advantage of her ideas more, because she has some fabulous ideas, ideas that I do not know if anyone else thought of. Evan you said she graduates in May and hopefully we can get something put together before she leaves, so that we can at least tap into her brain one more time before she goes away. I think she has a lot of value for this County. As Councilmember Yukimura said, much credit goes to you, a single dad that is has to be tough raising a kid today alone and you have done a great job. She is just something else. As I listen to her speak, it is like talking to some expert that came from the mainland and had all of this experience, yet she is so young. I just think she is going to be very successful. Hopefully, one day she will return to Kaua'i and be able to offer her services to this County at some point. Please congratulate her for us. Councilmember Yukimura.

(Councilmember Kagawa was noted as not present.)

Councilmember Yukimura: I just want to say that one of the best ways we could honor Carolyn and her work is to actually carry out some of these ideas, which some of them are already planted, like the MRF, and if we can really move those ahead, that would be honoring her longsighted vision and preparing for her return when she can really participate and share her knowledge, expertise, and commitment.

Council Chair Rapozo: Perfect. Any other discussion? If not, roll call.

The motion for adoption of Resolution No. 2017-15 was then put, and carried by the following vote:

FOR ADOPTION:	Brun, Chock, Kagawa, Kaneshiro, Kawakami, Yukimura, Rapozo	TOTAL – 7*,
AGAINST ADOPTION:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

*(*Pursuant to Rule No. 5(b) of the Rules of the Council of the County of Kaua'i, Councilmember Kagawa was noted as silent (not present), but shall be recorded as an affirmative for the motion.)*

Council Chair Rapozo: Thank you. Next item, please.

BILLS FOR SECOND READING:

Bill No. 2641 – A BILL FOR AN ORDINANCE AUTHORIZING THE EXECUTION OF A LONG-TERM LEASE AGREEMENT WITH THE STATE OF HAWAII, DEPARTMENT OF TRANSPORTATION, AIRPORTS DIVISION: Councilmember Yukimura moved to approve Bill No. 2641 on second and final reading, and that it be transmitted to the Mayor for his approval, seconded by Councilmember Brun.

Council Chair Rapozo: Any discussion? Public testimony?

There being no objections, the rules were suspended to take public testimony.

There being no one present to provide testimony, the meeting was called back to order, and proceeded as follows:

Council Chair Rapozo: Roll call.

The motion to approve Bill No. 2641 on second and final reading, and that it be transmitted to the Mayor for his approval, and carried by the following vote:

FOR APPROVAL:	Brun, Chock, Kagawa, Kaneshiro, Kawakami, Yukimura, Rapozo	TOTAL – 7*,
AGAINST APPROVAL:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

*(*Pursuant to Rule No. 5(b) of the Rules of the Council of the County of Kaua'i, Councilmember Kagawa was noted as silent (not present), but shall be recorded as an affirmative for the motion.)*

Council Chair Rapozo: Thank you. Next item, please.

Bill No. 2642, Draft 1 – A BILL FOR AN ORDINANCE AMENDING ORDINANCE NO. B-2016-812, AS AMENDED, RELATING TO THE OPERATING BUDGET OF THE COUNTY OF KAUAI, STATE OF HAWAII, FOR THE FISCAL YEAR JULY 1, 2016 THROUGH JUNE 30, 2017, BY REVISING THE AMOUNTS ESTIMATED IN THE GENERAL FUND (*Transportation Agency – Six (6) New On-Call Driver Positions*): Councilmember Yukimura moved to approve Bill No. 2642, Draft 1, on second and final reading, and that it be transmitted to the Mayor for his approval, seconded by Councilmember Chock.

Council Chair Rapozo: Any discussion? Public testimony?

There being no objections, the rules were suspended to take public testimony.

There being no one present to provide testimony, the meeting was called back to order, and proceeded as follows:

Council Chair Rapozo: Roll call.

The motion to approve Bill No. 2642, Draft 1, on second and final reading, and that it be transmitted to the Mayor for his approval, and carried by the following vote:

FOR APPROVAL:	Brun, Chock, Kagawa, Kaneshiro, Kawakami, Yukimura, Rapozo	TOTAL – 7*,
AGAINST APPROVAL:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

*(*Pursuant to Rule No. 5(b) of the Rules of the Council of the County of Kaua'i, Councilmember Kagawa was noted as silent (not present), but shall be recorded as an affirmative for the motion.)*

Council Chair Rapozo: Thank you. Next item, please.

(Councilmember Brun was noted as recused from Bill No. 2643.)

Bill No. 2643 – A BILL FOR AN ORDINANCE TO AMEND THE KAUAI COUNTY CODE 1987, AS AMENDED, BY REPEALING ARTICLE 23 OF CHAPTER 22, RELATING TO PESTICIDES AND GENETICALLY MODIFIED ORGANISMS: Councilmember Kaneshiro moved to approve Bill No. 2643 on second and final reading, and that it be transmitted to the Mayor for his approval, seconded by Councilmember Yukimura.

Council Chair Rapozo: Any discussion? Public testimony? Any discussion before we take the vote?

Councilmember Yukimura: Yes, please.

Council Chair Rapozo: Councilmember Yukimura.

Councilmember Yukimura: As I said in the committee, I think it is not useful to keep an invalid bill on the books, but I hope that those who advocated Bill No. 2491 and Ordinance No. 960 will take hope in the fact that we are moving in the right direction and it is a direction that was laid out by Ordinance No. 960. We have already completed the joint fact-finding group that was included in that bill and now the State is taking steps to get better information about the pollution levels in our waters. There are steps moving forward to implement buffers and disclosure and we are increasing our capacity to respond and detect pesticides and to protect public health and the environment. We are not there yet, but we are moving forward, and if you look at the history, most of the times that most change have come incrementally through great efforts. I think we are moving in that direction.

Council Chair Rapozo: Thank you. Any other discussion?
Councilmember Kaneshiro.

Councilmember Kaneshiro: I will just say something quick. We received testimony both ways, but I also just want to say that we did receive a lot of testimony where people said that it is time to just move on. I just hope that

community can grow and build on that. I am just looking forward to...I think Klayton Kubo said it, too, "Let us just continue to move on and work together as a community." I am looking forward to that.

Council Chair Rapozo: Thank you. Any other comments? I will just echo that. It is unfortunate that some people will choose not to move on and some people will choose to dwell on the hate, and we see it constantly on social media and it is unfortunate, but we have to look past that and really just move on and work with the State into making sure that the people are safe out here on Kaua'i. I think the State has taken a new interest in moving that way because of the "movement" because of Bill No. 2491 and others on different islands. I think that the Legislature will pay attention to that. At the end of the day, we, as a body, has to abide by the law and that is the oath we took and that is really where we are at today. We are finishing up or completing what the appeals court has already ruled. In my opinion, this is a formality, a housekeeping measure, and hopefully we can move on and start that process of working together, as opposed to fighting with everybody. With that, roll call.

The motion to approve Bill No. 2643 on second and final reading, and that it be transmitted to the Mayor for his approval, and carried by the following vote:

FOR APPROVAL:	Chock, Kagawa, Kaneshiro, Kawakami, Yukimura, Rapozo	TOTAL – 6*,
AGAINST APPROVAL:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	Brun	TOTAL – 1.

*(*Pursuant to Rule No. 5(b) of the Rules of the Council of the County of Kaua'i, Councilmember Kagawa was noted as silent (not present), but shall be recorded as an affirmative for the motion.)*

Council Chair Rapozo: Thank you. With that, let us go into Executive Session. Can you read us all of them and then we will do the two (2) that requires voting, we will come out, and then we can release BC.

EXECUTIVE SESSION:

ES-883 Pursuant to Hawai'i Revised Statutes (HRS) Sections 92-4, 92-5(a)(2), 92-5(a)(4), and Kaua'i County Charter Section 3.07(E), the Office of the County Attorney, on behalf of the Kaua'i County Council, requests an Executive Session to brief the Council on matters regarding the Notice of Violation and Order (NOVO) from the State of Hawai'i Department of Health, Clean Water Branch for National Pollutant Discharge Elimination System (NPDES) Permit related violations and penalties at four (4) refuse transfer stations, and related matters. This briefing and consultation involves the consideration of the powers, duties, privileges, immunities, and/or liabilities of the Council and the County as they relate to this agenda item.

(Councilmember Brun was noted as present.)

ES-889 Pursuant to Hawai'i Revised Statutes (HRS) Sections 92-4, 92-5(a)(4), and Kaua'i County Charter Section 3.07(E), on behalf of the Council, the Office of the County Attorney requests an Executive Session with the Council to provide the Council with a briefing regarding the claims filed against the County of Kaua'i by Bacon Universal Company, Inc., and related matters. This briefing and consultation involves the consideration of the powers, duties, privileges, immunities, and/or liabilities of the Council and the County as they relate to this agenda item.

ES-890 Pursuant to Hawai'i Revised Statutes (HRS) Sections 92-4, 92-5(a)(4), and Kaua'i County Charter Section 3.07(E), on behalf of the Council, the Office of the County Attorney requests an Executive Session with the Council to provide the Council with a briefing, discussion and consultation regarding the Quarterly Report on Pending and Denied Claims. This briefing and consultation involves the consideration of the powers, duties, privileges, immunities, and/or liabilities of the Council and the County as they relate to this agenda item.

ES-891 Pursuant to Hawai'i Revised Statutes (HRS) Sections 92-4, 92-5(a)(4), and Kaua'i County Charter Section 3.07(E), on behalf of the Council, the Office of the County Attorney requests an Executive Session with the Council to provide the Council with a briefing regarding the claim filed against the County of Kaua'i by David R. Wellington, for property damage and for damage to his personal property. This briefing and consultation involves the consideration of the powers, duties, privileges, immunities, and/or liabilities of the Council and the County as they relate to this agenda item.

ES-892 Pursuant to Hawai'i Revised Statutes (HRS) Sections 92-4, 92-5(a)(4), and Kaua'i County Charter Section 3.07(E), the Office of the County Attorney requests an Executive Session with the Council to provide the Council with a briefing on Special Counsel's continued services provided to represent the County of Kaua'i in Arbitration with the Hawai'i Fire Fighter's Association, and related matters. This briefing and consultation involves the consideration of the powers, duties, privileges, immunities, and/or liabilities of the Council and the County as they relate to this agenda item.

ES-893 Pursuant to Hawai'i Revised Statutes (HRS) Sections 92-4, 92-5(a)(4), and Kaua'i County Charter Section 3.07(E), on behalf of the Council, the Office of the County Attorney requests an Executive Session with the Council to provide the Council with a briefing regarding the Kaua'i Resource Center (KRC) operations and contractual obligations, and related matters. This briefing and consultation involves the consideration of the powers, duties, privileges, immunities, and/or liabilities of the Council and the County as they relate to this agenda item.

Councilmember Kaneshiro moved to convene in Executive Session for ES-883, ES-889, ES-890, ES-891, ES-892, and ES-893, seconded by Councilmember Yukimura.

Council Chair Rapozo: Thank you. We have C 2017-42, which is the request for twenty thousand dollars (\$20,000) for Special Counsel's representation. C 2017-43 does not require a vote, but as Mauna Kea will explain, we have received

a letter from an attorney from the vendor for the recycling of their intent to pursue litigation. Mauna Kea, why do you not come up so we can dispose of that item? In essence, we only have one (1) true item that we have to come back and vote, so let us take care of that item, come out, and then BC can leave, and then we can finish up the Executive Sessions. Jade, can you read us item C 2017-43?

There being no objections, C 2017-43 was taken out of order.

COMMUNICATIONS:

C 2017-43 Communication (01/19/2017) from Council Chair Rapozo, requesting the presence of the Acting County Engineer, to provide the Council with an update regarding the Kaua'i Resource Center operations and measures taken by the Administration to address the recent concerns raised by the community and businesses: Councilmember Chock moved to receive C 2017-43 for the record, seconded by Councilmember Kaneshiro.

Council Chair Rapozo: With that, I will suspend the rules.
Mr. Trask.

MAUNA KEA TRASK, County Attorney: *Aloha.* Honorable Chair Rapozo and Councilmembers. For the record, Mauna Kea Trask, County Attorney. That is correct. First off, the County Attorney's Office received via E-mail, about 6:00 p.m., January 23rd, a Monday, a letter from the firm of Bronster Fujichaku and Robbins, informing the Office of the County Attorney that they had been retained by the operator of the concession contract KCRS, Inc., regarding the contracting issues and the various service issues that have been talked about up until now. I did not receive this letter until yesterday, the 24th, the morning thereof. It was sent directly to First Deputy County Attorney Matt Bracken, so I have been working on this issue. I just ask at this time...although they do not state that they are going to proceed to litigation at this point, I would recommend that the possibility is very high and that we not make any discussions at the record at this time as they may be against the County's interest.

Council Chair Rapozo: Any questions for Mauna Kea?
Councilmember Yukimura.

Councilmember Yukimura: Not a discussion at this time...

Mr. Trask: On the floor.

Councilmember Yukimura: Yes, but we will be discussing it in Executive Session?

Mr. Trask: Correct.

Councilmember Yukimura: Okay.

Council Chair Rapozo: The intent to have this item on the floor was to have that open discussion. Obviously, with the six (6) days' notice requirement, we posted well before the letter from the attorney. I would assume the fact that it

was on the agenda may have triggered the vendor—I am just speculating—to retain an attorney for them. With that, my recommendation is until we receive more information from the Office of the County Attorney that we do not discuss this matter on the floor at all, and then after today's briefing, once we get a better understanding of the direction of Ms. Bronster, there may be an opportunity to have that discussion at a later time. I will call the meeting back to order. If there are no objections and no public testimony, the motion is to receive.

There being no objections, the meeting was called back to order, and proceeded as follows:

The motion to receive C 2017-43 for the record was then put, and unanimously carried (**Pursuant to Rule No. 5(b) of the Rules of the Council of the County of Kaua'i, Councilmember Kagawa was noted as silent (not present), but shall be recorded as an affirmative vote for the motion*).

Council Chair Rapozo: Ken, did you want to speak on ES-883? With that, I will suspend the rules. Mr. Taylor.

Mr. Taylor: Chair and Members of the Council, Ken Taylor. I want to speak only ES-883. This Executive Session is to brief the Council on matters regarding the Notice of Violation and Order from the State of Hawai'i, Department of Health, Clean Water Branch, for National Pollutant Discharge Elimination System (NPDES) Permit. Again, this activity comes from the lack of the County in a timely manner doing what they were supposed to do. This violation and the fines and whatever else goes with it is an issue that should be discussed in the public, not behind closed doors. The Mayor and his team dropped the ball for whatever reason and it is not in the best interest of the County to hide this kind of activity behind closed doors and I believe that this discussion should take place on the floor so that the public knows and understands what is going on. I think it is imperative that you take this off the Executive Session portion of the agenda and bring it back to the floor in a public discussion. We are talking about, as you said earlier, a project that going to cost us about seven million dollars (\$7,000,000). That is not chicken feed. For whatever reason the ball was dropped is not something that needs to be hidden. It is something that should be out on the floor and discussed in public so that these kinds of things do not continue to happen. I just do not understand how you can even justify in your own minds how you can take this item into closed session. Please remove it from the Executive Session portion of the agenda and bring it back to the floor for a public discussion so that the public knows and understands exactly what is going on. Thank you.

Council Chair Rapozo: Thank you. Anyone else? If not, I will call the meeting back to order. Councilmember Yukimura.

There being no further testimony, the meeting was called back to order, and proceeded as follows:

Councilmember Yukimura: I just want to say to Mr. Taylor that we have had open discussion about this matter to the extent possible, but that to the extent that it involves personnel decisions, we would be remiss in discussing that in the

open and we have to follow the law and go into Executive Session for those purposes.

Council Chair Rapozo: Thank you. If there is no other discussion, roll call.

The motion to convene in Executive Session for ES-883, ES-889, ES-890, ES-891, ES-892, and ES-893 was then put, and carried by the following vote:

FOR EXECUTIVE SESSION:	Brun, Chock, Kagawa, Kaneshiro, Kawakami, Yukimura, Rapozo	TOTAL – 7*,
AGAINST EXECUTIVE SESSION:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	None	TOTAL – 0,
RECUSED & NOT VOTING:	None	TOTAL – 0.

*(*Pursuant to Rule No. 5(b) of the Rules of the Council of the County of Kaua'i, Councilmember Kagawa was noted as silent (not present), but shall be recorded as an affirmative vote for the motion).*

Council Chair Rapozo: Thank you. With that, we will take a very short recess. We are going to discuss ES-892, and then we will come back out and take that vote.

There being no objections, the meeting recessed at 11:37 a.m.

The meeting reconvened at 12:08 p.m., and proceeded as follows:

(Councilmember Kagawa was noted as present.)

Council Chair Rapozo: We are now back to C 2017-42.

COMMUNICATIONS:

C 2017-42 Communication (01/13/2017) from the County Attorney, requesting approval of its recommendation for authorization to expend additional funds up to \$20,000.00 for Special Counsel's continued services to represent the County of Kaua'i in Arbitration with the Hawai'i Fire Fighter's Association, and related matters: Councilmember Kaneshiro moved to approve C 2017-42, seconded by Councilmember Yukimura.

Council Chair Rapozo: Any discussion?

Councilmember Kagawa: Yes.

Council Chair Rapozo: Councilmember Kagawa.

Councilmember Kagawa: Thank you, Chair. I think the matter before hand is regarding where do we go with negotiations for firefighters and later we are going to have SHOPO and HGEA. The fact of the matter is that if you recall to the previous contract, they were awarded with very generous contracts and it kind of disappoints me that the firefighters union is going in so aggressively in this term,

because as we have seen, teachers have been offered a one percent (1%) pay increase. I hope that the firefighters are not looking for large increases as they had the previous four (4) years because it is going to force us into a difficult position at some point. We may have to follow the mainland and do some drastic changes. We have to do what is best for the taxpayers because they cannot be paying increases that are above and beyond reasonable. Thank you, Chair.

Council Chair Rapozo: Thank you. Any other discussion?

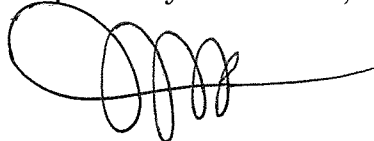
The motion to approve C 2017-42 was then put, and unanimously carried.

Council Chair Rapozo: That concludes the formal open agenda for today's meeting. If there are no objections, the meeting is adjourned.

ADJOURNMENT:

There being no further business, the Council Meeting adjourned at 12:09 p.m.

Respectfully submitted,

A handwritten signature in black ink, consisting of a large loop followed by several smaller loops and a long horizontal stroke extending to the right.

JADE K. FOUNTAIN-TANIGAWA
County Clerk

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